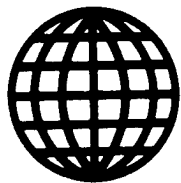


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WEST EUROPE

FRG Cultural Institute Scheduled To Open in Early 1988

46200008 Munich *SUEDDEUTSCHE ZEITUNG* in German 12 Oct 87 p 8

[Article by Juergen Kahl: "Goethe Institute Opens Branch in China"]

[Text] Beijing, 11 Oct—A branch of the Goethe Institute will open in Beijing after almost 2 years of very difficult negotiations. Barthold Witte, head of cultural affairs at Germany's Foreign Ministry, and Li Jian, deputy secretary general of the Chinese State Education Commission, initialed an agreement to that effect in Beijing on Saturday, just one day before the 15th anniversary of the establishment of diplomatic relations between the FRG and the PRC. After ratification, expected by year's end, the project is to begin next Spring.

This makes the FRG the first Western country (including Japan) to establish a cultural institute in the PRC. The special difficulties arose because Beijing was bent on securing maximum control over the pilot project and because Bonn, with an eye on negotiations with East Bloc countries such as Poland and Bulgaria, did not want to create a precedent for encroaching on the Goethe Institute's inherent independence. Talks which had started in October 1985, after a visit to China by Foreign Minister Hans Dietrich Genscher, bogged down because of such difficulties and they resumed only after Deng Xiaoping, one of China's leading politicians, personally lobbied for a successful conclusion of negotiations at the German chancellor's visit in July.

The Beijing branch is new in many ways, even when compared to Romania's Goethe Institute, which was founded in 1972 as the first institute in a communist country. As in Bucharest, the Chinese Commission on Education has to be kept informed about all important programs. Additional requirements provide for an institute council with an equal representation of both parties and for the appointment of a Chinese specialist by the Commission on Education as one of the two deputy

directors working under the German director of the institute. In response to Bonn's persistent demands, the Chinese agreed to limit the functions of the institute council to an advisory role except in business affairs and in decisions concerning the hiring of Chinese employees. As for the Chinese deputy director, he is only to "advise and assist" the director and not to act on his own authority.

Contrary to original Chinese wishes that the Goethe Institute join the Second Beijing Institute for Foreign Languages, the Institute is to be housed there only for 3 years until a suitable building is provided. China's limited opening-up to cultural influences from the West is still a new policy and one which is regarded with considerable distrust among some of its leaders. The Institute, thus, will limit itself at first to language teaching at all levels and instruction on [German] civilization. An extension clause added to the treaty does not exclude the possibility of adding other cultural programs in the future.

Witte, Bonn's chief negotiator, assessed the recent agreement as "a further sign of the high level of cooperation in all areas and mutual trust" that exist between the two countries. Part of the reason for Beijing's ultimately positive decision might be that after English and Japanese, German is, at present, the most frequently studied foreign language in China, and that the number of Chinese students, scientists, and technicians educated in Germany is to increase further over the next few years.

The promise made by Chancellor Kohl on his visit to China, to increase the number of Chinese students receiving training from 2,000 to 4,000, is to be implemented step by step after Saturday's signing of the cultural exchange program for 1988/89. As a first step, an additional 130 scholarships are to be given out to Chinese students for the coming year. By mid-1989, Chinese television is scheduled to broadcast nationwide its first German language instruction program. To lend technical support to this project, Witte presented a television studio donated by the FRG to the Chinese Central Television.

13196

Political Fortunes of Hua Guofeng, Hu Yaobang Seen Improving

40050053 Hong Kong CHENG MING

[CONTENDING] in Chinese No 121, Nov 87 p 10

[Article by Luo Bing [5012 0393]: "Deng Xiaoping Maneuvers to Promote Hua Guofeng and Hu Yaobang"]

[Text] "Deng Xiaoping has met with the head of the whatever faction. Do you believe that?"

My friend's news was indeed shocking and hard to believe. But he said, "You've got to believe it!"

It reportedly happened in early October.

For the first time since the 3d Plenary Session of the 11th CPC Central Committee, Deng Xiaoping met with Hua Guofeng and offered to let him go back to work.

My friend said that Deng Xiaoping wanted Hua Guofeng to be a vice chairman of the National People's Congress. Hua Guofeng said at the time, "Give me a little time to think it over."

Deng Xiaoping said, "There is still some time before the congress is convened. The delegates will vote for you."

Since his removal from the party chairmanship, Hua Guofeng's public image and impression have not been favorable. But as the conservatives keep stirring up trouble in recent years and Deng Xiaoping himself now shifts to the "left," now shifts to the "right," the masses and grassroots cadres have been complaining loudly. Particularly after the anti-bourgeois liberalization campaign went under way and Hu Yaobang's forced resignation, people felt a sense of rebellion as they pondered the situation. Hua Guofeng's sincere and honest image was recalled with longing and a tide of pro-Hua Guofeng sentiments swept the nation. The election of delegates to the 13th National Party Congress illustrates this very point. (Hua Guofeng obtained the most votes in elections for national organs.) Deng Xiaoping wants to let Hua Guofeng go back to work in order to create an appearance of stability and unity and demonstrate his magnanimity and "openness," even in politics. However, vehement opposition came from Wang Zhen [3769 7201], Bo Yibo [5631 0001 3134], and Hu Qiaomu [5170 0829 2606], with Bo Yibo going so far as to criticize Hua Guofeng by name at a Central Advisory Commission meeting not long ago. (As reported in CHENG MING, Bo Yibo said, "People these days keep asking what is left, what is right. I say the "two whatever" is left, Hua Guofeng is left. Some reactionary papers overseas have been praising him. To extol Hua Guofeng is to extol the left." Bo Yibo also said angrily, "The fact that he won the most votes shows that leftist sentiments have gotten stronger.")

It never rains but it pours. News that Hu Yaobang would stage a comeback—that he would be given a fairly powerful position—is making the rounds again.

Some time earlier sources said that Hu Yaobang had formally indicated a couple of times at Beidahe meetings that he would not take up any party or government leadership positions. Deng Yingchao [6772 4481 6389] suggested to the Central Committee that Hu Yaobang be appointed chairman of the Chinese People's Political Consultative Conference [CPPCC], only to be tuned down by Hu Yaobang with regrets. Once he even offered to give up his membership of the Politburo. However, Deng Xiaoping told him to comply with the Central Committee's decision. Subsequently the conservative faction used the Tibet riots to attack Hu Yaobang, arguing that the root cause of the riots was his 1985 speech specifically to the cadres on the Xizang Autonomous Regional CPC Committee on opening to the outside world. Should the Tibet situation worsens, it is bound to affect his position. Judging from the present signs, however, Deng Xiaoping intends to protect Hu Yaobang and Wan Li [8001 6849], so Hu Yaobang's seat on the Politburo and Wan Li's acting premiership will remain unassailable. With the conservative attacks on them in mind, Deng Xiaoping told a Politburo meeting in early October, "Hu Yaobang's case is now closed. Do not keep picking on him." The matter was thus brought to an end. Subsequently Deng Xiaoping indicated a desire to give Hu Yaobang a job with real responsibilities.

Afterward, word was heard from Zhongnanhai that Hu Yaobang had agreed to succeed Deng Yingchao as chairman of the CPPCC. Other rumors were that he would assume the CPPCC's first vice chairmanship (with Li Xiannian as chairman). Recent reports from the "big gate" in Beijing suggest that Hu Yaobang's future plan has changed yet again; according to a particularly well-informed friend, Hu Yaobang's prospects have brightened up considerably. After consulting with Chen Yun and others, Master Deng plans to recommend him for a seat on the Central Advisory Commission or as the first deputy secretary of the Central Discipline Inspection Commission.

What a master stroke of a move! A political observer says it well, "To plant Hu Yaobang on the Central Advisory Commission or Central Discipline Inspection Commission is obviously to have him keep watch on and check Chen Yun and Bo Yibo. That's all there is to it."

Apparently Hu Yaobang has a chance to come back. The question is when and what kind of job he would take up, given the desperate resistance from the likes of Bo Yibo. Probably the question will be answered soon.

PRC Scholars View Taiwan Political Situation
HK070451 Hong Kong LIAOWANG OVERSEAS
EDITION in Chinese No 51, 21 Dec 87 pp 3-5

[Article by Zhang Jingdao [1728 2529 6670] and Wang Peiyu [3769 0160 3768]: "Beijing Scholars Discuss Taiwan's Political Situation and Relations Between the Two Shores"]

[Text] Editor's note: The editorial department of this journal invited seven scholars doing research on the Taiwan issue in Beijing on 10 December 1987 to discuss the present situation in Taiwan, the popular will, and the relations between the two shores. Because of their length, their speeches will be carried in two parts in this journal. [end editor's note]

Compelled to Readjust Policies; Rather Great Changes in the Political Situation

Li Jiaquan [2621 1367 3123] (Deputy Director and Research Fellow of Research Institute of Taiwan Affairs):

The peak of a new turbulence is rising and taking shape in Taiwan, that is, the issue of relations between the two shores. In the final analysis, it is a question whether to choose between "unification" or "independence" and whether to establish transport, trade and postal relations between the two shores. This is an issue of common concern of the people on either side.

There have been some marked changes in the KMT policies, both internal and external, since the 3D Plenary Session of the 12th KMT Central Committee in March 1986. Their chief manifestations are as follows: First, the readjustment of internal policies. For example, the lifting of martial law, and the lifting of the ban on founding political parties and newspapers holding dissident views. Some of the changes have already been put into practice, while others soon will be. And second, the readjustment of policies toward the mainland. For example, the abolition of the restriction that Hong Kong should not be the first stop of one's travel, lifting the ban on people visiting relatives in the mainland, and relaxing the restriction on books published in the mainland, so on and so forth. These practices are fine, and have been welcomed by people on both shores. Personally, I admire them. Some people said, the KMT authorities were compelled to do this under internal and external pressure, especially from the people in Taiwan. Of course, there is some sense in such an explanation, but still it is fine for the Taiwan authorities to see the trends of such changes and the popular will and to partially readjust their policies promptly. Such practice should be welcome.

However, I believe such policy readjustment on the part of the Taiwan authorities is far from enough. Take for instance, "the policies toward the mainland," the Taiwan authorities have so far stuck to the four "lines of defense": First, the "non-government nature," which

means no official contacts whatsoever; second, "single-track communication," which means a ban on reciprocal visits; third, "indirect process," which implies contact must be carried out via a third region; and fourth, "graduality," which means nothing should be carried out too fast. On the whole, this means no breakthrough is allowed with regard to the "three-nos" policy, namely, no contacts, no talks, and no concessions. The question is, will these lines of defense hold? Not likely, I think. If the Taiwan authorities should insist on holding on to these lines, the contradictions would become more and more acute, and in the end, new and even greater turbulence would inevitably erupt on the island. In the final analysis, it remains a question of the popular will. The KMT has all along stressed "mental guard" and "psychological war," which I will not be so bold as to comment on. However, I would advise them to base their "mental guard" and "psychological war" on the popular will. If they should do something to violate the popular will or the people on the two shores, the situation will eventually go out of control one day. It is true that the development of the relations between the two shores involves "graduality," to which I agree, and the people will show their understanding of this, but the major direction must be made explicit. Whether it is the KMT or some newly founded political parties, they should both accept the test of the people on the issues of the relations between the two shores and the future of Taiwan. The people on the two shores is the ultimate motive force in determining history. They should not have blind faith in foreign influence and backing, nor should they have blind faith in a "Maginot Line" of whatever description, visible or invisible. I am firm in the belief that the KMT current "three nos" policy will be broken through sooner or later.

Cai Zimin [9591 1311 3046] (Taiwan Democratic Self-Government League Presidium, and Executive Council member):

Comparatively great changes have taken place in the situation of Taiwan since 1986. The internal factors of these changes are: The social structure in Taiwan has undergone basic changes. Taiwan has become an industrial and commercial society with processing industry and export as the backbone of its economy, while the middle class has become the most important social force in Taiwan. Taiwan's superstructure, the KMT and so on, has failed to fully meet the needs of its socioeconomic base. Social contradictions on the island have been aggravated, with the emergence of polarization in both the urban and rural areas. The workers and peasants have landed in great difficulties, and the environment is gravely polluted. Capital outflow and brain drain are serious in Taiwan. As a result, its technological development and the opening up of its foreign trade market have not been so easy. Taiwan has now a favorable foreign exchange balance of more than \$70 billion, which shows a lack of confidence in Taiwan's future and the need to find an outlet for its capital. Taiwan's economic development would meet with still greater difficulties should it literally cut itself off from the mainland market.

The external factors accounting for the changes in Taiwan's situation are: The settlement of the Taiwan issue has become more and more pressing with the successful settlement of the Hong Kong and Macao issues in accordance with the policy of "one country, two systems" and peaceful unification as proposed by the mainland. People have come to see that settlement of the relations between the mainland and Taiwan is unavoidable and independent of one's will. Besides, the United States has changed its attitude toward Taiwan. With the development of the world situation in recent years, some Americans, proceeding from their own strategic interests, believe that the rigid policies of the Taiwan authorities in relations with the mainland are not only unfavorable to the stability of the Taiwan strait situation, but will also affect the Soviet strategic pattern. Some U.S. officials hope for direct contacts between the two shores. A senior U.S. official said, a peaceful settlement of the dispute between the two shores would be advantageous to both shores.)Some Americans are pressing the KMT authorities to implement "political democratization" and to strike a pose of "democracy" and "reform."

Li Shuiwang [2621 3055 2489] (Director of Political Research Center under the Research Institute of Taiwan Affairs and Assistant Research Fellow):

Great changes have taken place in Taiwan in recent years. Many new conditions have emerged and the situation is developing rapidly. The political situation in Taiwan and the relations between the two shores are in an important stage of evolution and a turning point.

The opening up and readjustment of the autocratic structure by the KMT authorities are limited. The KMT authorities are pursuing so-called "political reform" to carry out certain readjustment of political structure. The basic intention of such reform is "to maintain the status quo of Taiwan through reform" and "to seek survival through changes in accordance with the situation," in an attempt to find new ways to suit the changes in the socioeconomic structure of Taiwan so as to maintain KMT rule in Taiwan. In recent years, Chiang Ching-kuo has made a series of statements, in which he acknowledged that the KMT was facing "an unusual situation," and that "the times are changing, and so is the environment as well as the trends," and "to break through the difficulties" the KMT ought to "carry out necessary review in its concepts and practices" and make corresponding readjustment. This shows that the KMT authorities are compelled to make changes, and such "changes" aim only to extricate themselves from their passive situation and "to gain initiative in a passive situation" so as to preserve Taiwan and the KMT.

With the lifting of martial law as well as the ban on the formation of new political parties, major changes will take place in Taiwan's political structure and system. Taiwan will enter into a stage of the reorganization of various political forces. Taiwan's politics will increasingly take on the quality of "pluralism," and develop

from the direction of "the dictatorship of a single party" to "the superiority of a single party , with the competition of many political parties." At the same time, various spontaneous mass movements will develop to various degrees in Taiwan, such as environmental protection campaign, labor movement, student movement, women's movement, and other "self-reliant relief campaigns" of all descriptions in society, while class contradictions in society tend to surface.

Zhou Qing [0719 7230] (Research Fellow of Research Institute of Taiwan Affairs):

The KMT authorities have been forced to carry out some reforms under strong pressure in recent years. The pressure is from four sides: 1) from the United States; 2) from "forces outside the KMT" in Taiwan; 3) from developments in the Philippines and South Korea; and 4) from the mainland policy toward Taiwan. The KMT authorities are scared of: 1) change of government under the influence of the United States (a repetition of the ill fate of the former President Marcos of the Philippines); 2) being overthrown by the people in Taiwan; and 3) being wiped out by the CPC.

At present, Taiwan has entered into a period of political change, with the emergence of rapid mutual impacts such as the the ever-intensifying contradiction and struggle between the conservatives and the enlightened forces inside the KMT and the aggravating contradictions and struggles between the KMT and other political parties including the Democratic Progressive Party.

The state of war is ended, and a state of peace exists in the Taiwan Strait today. The KMT has lost the ground for the existence of its "three nos" policy. The establishment of transport, trade and postal relations between the two shores are developing in the direction of becoming legalized and open.

Yang Lixian [2799 4539 2009] (research worker of Research Institute of Taiwan Affairs):

The "political reform" implemented by the Taiwan authorities in recent years has had certain positive effects.

1. To a certain degree, the lifting of martial law means the basic ending of the age of KMT autocratic military rule and the beginning of the transition to a normal state of peacetime rule.

2. The lifting of the ban on forming new political parties means open competition of various political forces to a certain degree; objectively, this has provided an opportunity for all social strata to participate in politics.

3. The lifting of the ban on visiting relatives in the mainland is objectively a powerful blow at the KMT's "three nos" policy, and helpful to the further relaxation of the relations between the two shores.

The political reforms implemented by the KMT are far from thorough, and its policies are self-contradictory; therefore, their roles will be limited, and they cannot basically resolve the problems existing on the island. For example, they announced lifting the ban on martial law while drawing up the "national security law for mobilization in quelling rebellion," which shows their unwillingness to thoroughly abolish military rule. For another example, regarding their policies toward the mainland, they have just managed to make an opening, and one-way at that, while insisting on their rigid "three nos" policy in opposition to the establishment of transport, trade and postal relations as well as to peace talks on unification. This makes it impossible to change the abnormal political state in Taiwan and to stabilize its political situation.

The Pounding of Public Opinion on Taiwan's Political Situation

Wu Jiatong [0702 0857 2717] (Director of Research Center under All-China Federation of Taiwan Compatriots):

The popular will in Taiwan has never been so active as in the past year. Such activism has been shown in the frequent mass gatherings, demonstrations, and petitions on the island, with an average of four self-reliant relief campaigns taking place daily. The self-reliant relief campaign has become one of the grave social problems in Taiwan. The participants are mostly farmers, workers, fishermen and small businessmen, including the old, women, children and a small number of young students.

Another expression of the activism of the popular will in Taiwan is the situation of labor and student movements saving up their momentum for further progress. Ninety percent of the workers in Taiwan believe their income is on the low side, and 43 percent of them believe their wages fail to guarantee the maintenance of their basic living standards. Sixty-six percent of the government-run enterprises and 47 percent of the non-government-run enterprises have no guarantee of safety in work conditions. The trade unions in 84 percent of government-run enterprises and 69 percent of non-government-run enterprises do not function at all.

Taiwan's workers are universally dissatisfied with the way things are at present, and are pressing for a change. In the 1986 election of "central representatives of public opinion," the leading members of the KMT unions were voted out one by one, while the nonentities recommended by the Democratic Progressive Party were elected with overwhelming of votes. This fact alone was self-evident. Such a mentality of longing for changes finds expression in the ever-emerging working class movements striving for their own rights and interests.

At present, Taiwan seems to be bustling with activity; however, such street actions are mostly scattered, low-level and spontaneous affairs. Such a phenomenon serves only to explain that true public opinion could not

be expressed in the past under the suppression of the martial law structure, while there are less misgivings today, and dissident views under suppression in the past are now surfacing. However, such actions have not been intensified.

The trend of popular will in Taiwan is for a more stable sense of security. In the past, they believed the relations between the two shores were antagonistic, and that war might break out any moment. But now they are beginning to visit their relatives in the mainland, and a peaceful situation has been acknowledged. The sense of insecurity in the past has been replaced by a sense of security.

Tang Yi [0781 1837] (research worker of Research Center of Taiwan Affairs):

The popular will in Taiwan at present is characterized by complexity, liability to changes, and unprecedented hot temper; all which have, to an extent, reflected the turbulence and changes in the social conditions in Taiwan. This explains the different interests of different strata regarding matters of different planes such as public policies that have a bearing on the personal interests of making a living, political reform and the exchanges between the two shores; or else they may have different views on one specific issue. However, they might have strongly identical views regarding certain political issues at some high plane, such as improving the relations between the two shores and carrying out political and economic reforms on the island; moreover, the two aspects have overlapping links in concepts. Based on a poll of a Taiwan journal conducted among the board directors and general executives of more than 2,000 enterprises, to improve the future of Taiwan, it is necessary to carry out reform, and to establish transport, trade and postal relations with the mainland. Besides, the results of another public opinion poll showed that the traditional mentality of the Taiwan public, namely, long-term concern for the construction of public utilities and for policies, has taken on the quality of continuity and has always been the focus of concern in the public will. And some issues such as the readjustment of KMT policies, to which the public used to be rather indifferent, have at last roused public concern. The issue of the self-reliant relief of the masses is actually the widened gap between the greater expectation of the masses on society and the decline of their political faith in the KMT, moreover, the gap seems to be still widening at present. Specifically speaking, the rise of the labor movement, women's movement, and consumption funds committees reflects the improvement of educational standards and increase of income of the Taiwan people in the changing period; and along with these conditions is their higher expectation on society. As a result, their dissatisfaction toward the KMT has been heightened.

The public will in Taiwan takes on the following characteristics:

—The mentality of seeking changes is strong and universal.

—A sense of uncertainty that spells a lack of faith in a better tomorrow.

Specifically speaking, the people on the island lack confidence in Taiwan's future. Economically, the small and medium enterprises that account for more than 90 percent of all the enterprises in Taiwan are facing an increasingly unfavorable investment climate, both internal and external, amid a crisis of failing to bear the loss in the exchange rate. It will be very difficult to change such an economic condition characterized by abnormal development. Politically, the situation is unstable. It is very difficult to strengthen confidence, with the government structure after Chiang Ching-kuo remaining obscure.

Besides, the Taiwan people find themselves all at sea and powerless in the face of reality. So they resort to abnormal ways to escape from it; as a result, gambling and criminal activities are rampant.

—Greater concern is shown for political issues at the top level.

The Taiwan people showed little concern for the factors of political standards, political security and ideology a few years back. However, when a poll took place on the "election of central representatives of public opinion" toward the end of 1986, a majority of those polled tended to express their political views and displayed enthusiasm for gatherings of a political nature. This reflected the universal mentality of the Taiwan people in the pursuit of political stability and the avoidance of turbulence.

In short, the mind of the Taiwan public is becoming unprecedentedly active and complicated. This reflects the rise of the people's strength in Taiwan. Such a pounding has shaped into powerful social pressure on the KMT authorities, and an important environmental factor in social development in Taiwan.

Longer Stride Should be Taken in the Ties between the Shores

Li Shuiwang:

The universal strong aspiration of all strata of Taiwan people for relaxation of the relations between the two shores and the establishment of transport, trade and postal relations and non-government ties has shaped into a strong social trend in recent years. Under the urge and pressure of the public will, the KMT authorities have to make some readjustment in their policy and practice. Of course, many people with insight inside the KMT have increasingly come to see the evil results of the long-standing separation between the two shores as well as the

crisis for the survival of the KMT. They too are for change of the rigid policy toward the mainland, and the implementation of a "rational and realistic policy toward the mainland."

The readjustment in the policy toward the mainland and the actions of the KMT authorities, though not without limitations, have brought about partial breakthrough in the relations between the two shores. This is of positive significance. However, we also see that the KMT authorities have to date refused to take longer strides in the relations between the two shores, and are still procrastinating. This will only make it impossible for the KMT authorities to get out of their passive situation.

Wu Jiatong:

There is now a general craze for the mainland in Taiwan. This includes the craze for visiting relations in the mainland, for travelling in the mainland as well as publication and coverage of and trade with the mainland. Those who can afford it will take the first train to the mainland as early as possible, while those otherwise are doing everything they can to get financial support to come to the mainland for a visit. It is estimated that the trend of Taiwan compatriots visiting the mainland will continue to develop, with their number growing with each passing day.

Based on the investigation of relevant departments in Taiwan, 98 percent of the people are in favor of opening up to visiting relatives in the mainland, 56 percent of them believe that the Taiwan authorities have been too slow in easing relations between the two shores, while 86 percent of them believe that no restrictions whatever should be enforced on visiting relatives or travelling in the mainland. At present, all people on the island are willing to invest in the mainland despite the differences in their views. The mutual benefit and help in each other's needs economically between the two shores will be advantageous to both sides.

Now is a grand chance for the people of the two shores to make contacts with each other. With more contacts, they will deepen their understanding of each other, eliminate their misunderstanding, and find some common ground. We should strengthen our concern, support and help toward the people of all strata in Taiwan.

Li Jiachuan:

I should like to say something about the ties and communication between the two shores. It has been suggested since the 13th Party Congress that communication and dialogues be held between the CPC and the democratic parties, between the central and local governments, between the leadership and those under the leadership, and between one's own department and other departments. Taiwan is doing the same thing, since communication and dialogues have been carried out between the KMT authorities and other political parties

and organizations. Both the two shores belong to the one and only China, and all political parties and organizations on the two shores are parties and organizations of the one and only China, so why should they not communicate and talk with each other? Can the scholars between the two shores take the lead in such communication and dialogues? I have participated in several academic conferences attended by scholars from both shores, and found it helpful for the exchanges and contacts of both sides, with the misunderstanding of each other in many respects eliminated. To tell the truth, I have come to better understand some realities in Taiwan over the past 2 years through such exchanges. At the same time, I also found that some scholars from Taiwan did lack true understanding of the mainland in the past. Some articles on the mainland carried in Taiwan's press are rather objective, truth-seeking, and up to standard; however, quite a few of them are really deeply affected by "stereotyped anticommunist writing," and sound silly; and I found the authors of such articles lacking understanding of the mainland. What should we do about such a situation? Should the people between the two shores including the scholars confront each other, remain antagonistic and have no contact with each other forever? What will be the consequences in the long run? This is a question worth our serious pondering and handling.

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HK311441 Beijing LIAOWANG in Chinese
No 50, 14 Dec 87 p 1

["LIAOWANG Forum" by Cai Changshui [5591 7020 3055]: "Correctly Understand the Scientific Implications of Party Leadership"]

[Text] Separating the functions of the party from those of the government is the key to the reform of the political structure, and also an important policy decision for the improvement of party leadership. Today, more and more people have come to realize its great significance. However, some comrades also have worries: As a proletarian party in power, if our party separates its functions from those of the government will this not affect and weaken its leadership position and role? Will it not lower its prestige? Enterprise party organizations will no longer exercise "unified" leadership in their own units. Does it not mean abolishing party leadership? Theoretically, these worries have something to do with a failure to correctly understand the scientific implications of party leadership.

For quite some time we have been used to the slogan "the party exercises leadership in everything." Interpreted from the angle of the party's position in the state political life and in the sense of the party being the core of leadership in the socialist cause, the slogan is completely correct because the party exercises leadership in our country's revolution and construction. All organizations, departments, and units and our work in all fields cannot do without party leadership. The problem is what

to lead and how to lead. We had a misunderstanding on this point in the past, arguing that the party exercising leadership in everything means that the party handles and takes on everything. Hence there is a confusion of responsibility between the party and the government, usurpation of government's role by the party, and overlapping of party and government organs. The party's leadership is formally strengthened but in fact party organizations are relegated to the position of administrative or working organs.

In accordance with the Marxist viewpoint, as the advanced force of the working class the party plays a role in guiding the proletariat's struggle for liberation and the socialist cause. With its correct theories and line and appropriate organizational forms and leadership methods, and with the exemplary deeds of its members, the party attracts, organizes, and leads the people in forging ahead. The essentials of party leadership are to organize and support the people to become masters of the country, to point out a correct direction of struggle for the masses of people, and to help the people understand their own interests so that they will fight in unity for their realization. Only the party has the duty to conduct education among the people through persuasion and to serve the people wholeheartedly. It does have the power to take on what ought to be done by others and to force the masses of people to accept what the party advocates. It is precisely based on this understanding that the party's report to the 13th Congress clearly stipulated: The party exercises political leadership which means that it formulates political principles, points the political orientation, makes major policy decisions, and recommends cadres for the key posts in organs of state power. Hence there is a clear demarcation line between the party's leadership functions and the functions of state organs to run the state, and between the party's leadership functions and the functions of factory directors to command production in enterprises. Ours is a party in power but the party should not replace organs of state power in directly managing state and social affairs. Nor should it take on the work of mass organizations and of other non-party organizations. The exercise of party leadership in socialist economic construction is not realized by party organizations carrying out the concrete tasks in economic management work and production and operations. The principal methods by which the party exercises leadership over organs of state power are as follows: 1) by turning what the party advocates into the will of the state through legal procedures; 2) by recommending cadres for the key posts in state organs; and 3) by implementing the party's line, principles, and policies through the party organizations in state organs, and through the vanguard and exemplary role of communist party members.

The party exercises leadership by relying on its correct political propositions and its line, principles, and policies which are scientifically based; on its rich experience and effectively conducting ideological and political work among the masses of people; and on the leading and

exemplary role of its members, rather than relying on administrative power. The party enjoys prestige not because it takes on everything using administrative power but because what it advocates represents the interests and aspirations of the majority of the people. It thus wins their wholehearted support and enjoys their love and esteem. Does this not mean that in party organizations "power now exists in name only?" It does not. As a party in power, the party wields its leadership power through a strict distinction of duties and authority, and a strict division of labor between itself and government organs and non-party organizations. The party has its own functions and so do the government and other organizations, each having their own post and performing their own functions. The party takes care of matters concerning the line and major policies, recommends cadres to key posts, supervises the work and ensures that it is accomplished, and does a good job in conducting ideological and political work among the masses and in building the party itself. These functions cannot be performed by any other organizations. Therefore, separating the functions of the party from those of the government means setting higher demands on the party's work and cadres. On no account does it mean the party's power "exists in name only," much less does it weaken it.

Party leadership in general enterprises and the leadership of party committees in individual enterprises are not one and the same concept. Party leadership is multifaceted. As conditions are different in the central departments, the localities, the grassroots units, and the enterprises, the methods they use to separate party from government functions should also be different. The Party Central Committee should make policy decisions on such important questions as China's internal affairs, foreign affairs, the economy, and defense; recommend persons for leading posts in the supreme state organs; and exercise political leadership in all fields. The local party committees at the provincial, municipal, and county levels should exercise political leadership in local work, carrying out the line formulated by the central authorities and ensure that central government decrees are implemented. The separation of party and government functions at the village and township level will be discussed after it has been achieved at the county level. In enterprises, party organizations should supervise the work and ensure that it is accomplished and no longer provide centralized leadership in the work of their enterprises. Party leadership in general enterprises is achieved through many ways and forms, but mainly through the party's line, principles, and policies and state laws and decrees; through factory directors assigned by the organs in charge of enterprises or cadre management departments and their efforts to implement party and state principles, policies, laws, and directives; and through the efforts of enterprise party organizations to strengthen the building of the party itself, to do a good job in ideological and political work among the masses, and to play a supervisory and guaranteeing role so as to ensure the socialist orientation of enterprises, and to promote the

completion of the tasks in production, operations, and other fields of endeavor. Therefore, party leadership should not be understood as direct management by enterprise party committees of production, operations, and matters concerning personnel, money, and goods. The argument that misunderstands the implementation of a system under which a factory director assumes overall responsibility as discarding party leadership is the outcome of equating party leadership with the leadership of a factory director and party leadership with administration.

To put it briefly, by freeing itself from various administrative matters the party will be able to liberate itself and to provide better scientific leadership in macroeconomic terms, and to give administrative systems at all levels a free hand in their work. When leadership work in organs of state power and enterprises is strengthened and done well, this precisely shows that party leadership is firm and powerful. Only when we have a clear understanding of the identity of the two can we really conscientiously and happily plunge into the reform of the leadership structure.

Reform Theoretician Center of Press Attention

40050054 Hong Kong PAI HSING in Chinese
No 156, 16 Nov 87 p 6

[Article by Zhang Jiefeng [1728 4814 7685]: "Fang Lizhi Shuns Political Discussions"]

[Text] Revisiting China University of Science and Technology

Fang Lizhi [2455 0536 0037] told me an interesting piece of news when I called on him at his new residence on 3 November to present him a book and bid farewell: He would be returning to Hefei to present two academic reports at China University of Science and Technology [CUST].

Fang Lizhi, who remains a member of the Education Ministry, will leave for Wuxi, Jiangsu, on 3 November to attend an educational conference there. After the conference, he will go to Hefei on the 11th, his first visit to the city since he was transferred to Beijing in late December. CUST students, who have been spreading the news, are looking forward to his visit. Fang Lizhi noted, however, that he would not talk about reform again.

"Song Jian [1345 0256] said I am not a social scientist, hinting that I must not discuss politics again." Song Jian, minister in charge of the State Science and Technology Commission, met with reporters during the 13th National Party Congress and was questioned persistently about his views on Fang Lizhi's opinions on public affairs. Song Jian had no choice but to say that while he respected Fang Lizhi's academic knowledge and position, he considered the latter neither a social scientist nor a Marxist.

Be that as it may, Fang Lizhi's return to CUST will certainly cause a sensation. These days he is warmly received wherever he goes in the country. When he attended a celebration at a middle school, students who originally did not know who he was surrounded him seeking autographs. His lecture recordings fetch 80 yuan apiece on the black market. He need not go to work at the observatory, but so many people write to him there that he visits the observatory frequently to pick up the mail.

Unraveling the Mystery of His Disappearance in Guangzhou

Almost 1 year after public interest turned him into a news-maker, Fang Lizhi's newsworthiness has not diminished. Attending the international dynamic physics experimental conference in Guangzhou in early August, for instance, he was mobbed by a throng of Hong Kong reporters and found himself in an awkward situation (See issue 150 of this magazine.) When this writer visited him in Beijing, he explained his sudden mysterious disappearance that day. Fang Lizhi and his wife stepped out of Nanhu Guest House in the morning on 5 August on their way to the conference hall. He said a few words to the horde of reporters gathered outside and left for the conference. The reporters continued to hang around waiting for him, but he never returned. What happened was that the conference organizers, troubled by the fact that he was followed relentlessly by the press, arranged for the Fangs' departure from Guangzhou immediately after he presented his report. A special car picked them up and left through a tunnel. The tunnel exit was not too far away, but distant enough to keep the Fangs out of the reporters' sight. After leaving the conference, the couple toured Zhongshan, Jiangmen, and the surrounding area for a few days and returned to Guangzhou on 9 August where they stayed briefly before heading back to Beijing.

The tunnel at Nanhu Guest House is normally used for the comings and goings of high officials to ensure their safety. That the conference organizers took pains to arrange for the Fangs to "escape" in that manner testifies to their fear of letting Fang Lizhi come in contact with the press.

In fact, Fang Lizhi is often besieged by reporters asking political questions, which will indeed land him in "trouble." While in Italy, he was interviewed by a reporter from the West German weekly, DER SPIEGEL. In the interview, he was quoted as saying that errors could be found on every page of the collected works of Marx and Lenin. People at the Chinese Academy of Sciences [CAS] later said that he overstated the case. Actually what he said was that errors, probably mistranslations, could be found on every page. Nevertheless, Fang Lizhi worried that he might have given them a handle against himself and has actually been reading the collected works of Marx and Lenin carefully recently to prepare himself for

a debate any moment. That an expelled party member would still study the works of Marx and Lenin closely was probably something the higher echelons of the CCP never expected.

During the 13th NPC, the numerous Chinese, foreign, Hong Kong, and Macao reporters gathered in Beijing naturally grasped the opportunity as far as Fang Lizhi was concerned. Many foreign reporters (including some he had met in Europe) called him on the phone. He asked them to make arrangements through the foreign affairs bureau. Needless to say, their requests went nowhere with the bureau. This time I met with Professor and Mrs Fang as a friend and refrained from conducting a political interview so as not to give him trouble.

Flurry of Invitations from Foreign Academic Institutions

Outsiders believe that the CCP's attitude toward Fang Lizhi has improved, as demonstrated by the fact that he can now go abroad and has been allocated a new house.

Fang Lizhi in fact received three invitations this year, from Britain, the United States, and Italy. In the end, he could only go to Italy; they said that given the large number of Chinese students in the United States, his visit there might have too strong an impact. Thus there are limits to the authorities' broad-mindedness. He also may have a chance to go overseas next year; both Britain and the United States have sent invitations. Fang Lizhi studied at Cambridge University, so the institution has sent him a particularly warm invitation, saying he could come any time as soon as he obtains permission. Because of his truly remarkable professional status, many institutions are working hard to get hold of him. Now it depends on whether the CAS would give its approval.

Shuttling Between Old And New Residences

The CAS recently allocated Fang Lizhi a five-room house, in contrast to the way Liu Binyan [0491 6333 7159] has been treated. His former apartment was so tiny that it could accommodate hardly anything. Thus even after the new house was stocked with furniture from the old residence, it still looks empty. Moreover, Fang Lizhi and Li Shuxian [2621 3219 8300] have to keep going back and forth between the two places. It turned out that there is no telephone in the new quarters. To make sure his friends can contact him, they often return to the old residence at Beijing University to answer the telephone. On the other hand, the gas pipe there was broken, which means they could not cook. So they have no choice but to eat in the new house. The Fangs smiled wryly, "Many urban administrative problems in Beijing remain unsolved for long periods simply because of bureaucratism."

Would the halt in the "anti-bourgeois liberalization" campaign improve Fang Lizhi's circumstances? He believes things would not get better or worse for the time being. In the short run, he cannot resume teaching. Nor

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will his party membership be restored. On the other hand, the authorities would not put new pressure on him; even the people who kept watch on his house have now disappeared.

Let's hope that this reform theoretician will have another opportunity to exert himself on behalf of the cause of reform in China.

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NATIONAL AFFAIRS, POLICY

Arguments for Concept of 'Initial Stage of Socialism'

40050041 Hong Kong CHIUSHIH NIENTAI [THE NINETIES] in Chinese No 214, Nov 87 pp 22-23

[Article by Lin Wei [2651 5898]: "Newest Standpoint of the CPC reform faction; Comments on the Arguments for the 'Initial Stage of Socialism'"]

[Text] When the leftist faction opposed economic "liberalization" the reform faction hurriedly sought arguments for it. The idea of the "initial stage of socialism" has now become the new banner of reform. Deng Xiaoping once noted that China's socialism was "insufficiently structured," and this caused Deng Ligu [6772 0500 5028] to feel extremely worried but helpless. Although the theory of the initial stage was accepted, there were controversies about principles and policies.

Although the reform of China's economic and political systems developed further, China's theory of reform needed to clarify the country's status quo, which was the basis and starting point for the theory of reform.

What is China's status quo? What is the state of the country? Why must it be reformed? How should it be reformed? These questions became the points at issue in the summer and autumn of this year and afterward. They were also issues brought up and analyzed at the 13th CPC Congress.

General and Particular Discussion of the "Initial Stage"

Since the summer of this year, there has been much "noise and dust" in the discussions about the theory that China is in the "initial stage." The forum presided over and held by the Theoretical Bureau of the Propaganda Department of the CPC Central Committee on 25 and 26 June, which was attended by several dozen workers in the field of journalism and theory, raised the issue of the important significance of thoroughly initiating the theoretical study of the initial stage of socialism and of enhancing propaganda in this respect in order to make the vast number of cadres and masses understand it.

At the same time, the Propaganda Department of the Shanghai Municipal CPC Committee held a meeting at which 10 units, including its Theoretical Office, the Research Department of SHIJIE JINGJI DAOBAO, the Theoretical Department of WEN HUI BAO, and the Policy Study Section of the municipal party committee, jointly conducted a "forum on the initial stage of socialism."

In the middle part of June, nearly 100 experts, professors, and economic theory workers in Beijing attended an experience-exchange meeting on the subject of "the study of the motion mechanism in China's socialist economy." The meeting debated the new concept of the

motion mechanism in the economy during the initial stage of socialism. What was interesting was that the backer of this study was Chen Yuan [7115 0337], son of Chen Yun [7115 0061], member of the Standing Committee of the Beijing Municipal CPC Committee, founding member of the CPC, and "birdcage" economic authority.

Before these forums, some articles on the initial stage of socialism had appeared in the press. For example, in ZHONGGUO SHEHUI KEXUE [CHINA SOCIAL SCIENCES], No 3, 1987, a long article by Yu Guang [0060 0342] entitled "Economics in the Initial Stage of Socialism" was published. In the 19 June RENMIN RIBAO there was an article entitled "Inquiry Into the Initial Stage of Socialism in China" by the well-known writers He Jiacheng [0149 1367 2052], Zhang Xuenian [1728 1331 1628], and Bian Yongzhuang [6708 0516 1104].

The earliest that the term "initial stage of socialism" was seen was on 27 June 1981, in the "Resolution on Certain Questions in the History of Our Party Since the Founding of the PRC," which was passed by the 6th Plenary Session of the 11th CPC Central Committee. In Section 33 of this resolution there is this passage: "Even if our socialist system is still in its initial stage, China has already established the socialist system and entered the socialist society. Any viewpoint that denies this basic fact is mistaken."

This passage put the main emphasis on the socialist nature of China's society and did not give prominence to the "initial stage." Therefore, at the time this term did not arouse attention. Then, unexpectedly, it became the ground of the argument for reform and openness and was emphasized. It also became an important topic for theoretical inquiry.

Required by the Situation, the "Old Stresses" Were Made Over

That this theoretical viewpoint was again raised and stressed was obviously related to China's political and economic situations in the second half of last year and the first half of this year.

Hu Yaobang's political report on 1 September 1982 at the 12th CPC Congress also mentioned the "initial stage of socialism." In it he said: "China's socialist society is still in the initial stage of its development, and our material civilization is still not developed." Obviously, at that time even Hu Yaobang did not pay much attention to this subject. His understanding of it was still limited to the angle of the "productive forces," and did not touch on the economic components in production relations. Even less did he make it the theoretical starting point for reform.

The "Decision by the CPC Central Committee on Restructuring the Economic System," passed on 20 October 1984 by the 3d Plenary Session of the 12th CPC Central Committee, was an important document for restructuring the economic system of China's cities. However, the "Decision" surprisingly did not mention the "initial stage of socialism," a fact that showed that the reform faction at that time still did not understand this issue.

At the Beidaihe Conference in the summer of 1986 and the 6th Plenary Session of the 12th CPC Central Committee in the autumn of the same year, there was an intense confrontation between the reform and conservative factions. Then, at the beginning of 1987, there was the "struggle against bourgeois liberalization," in which not only was there an attack on the tendency toward "liberalization" in politics, ideology, and theory, but also there was the ultraleft faction's opposition to "liberalization" in economics, that is, its assault on the tendency toward "practicing capitalism" in economics. At that point the reform faction raised the banner of the "initial stage of socialism." Its purpose was to demonstrate the inevitability of the existence of diversified economic components (including the individual economy) and thus shut the mouths of the conservative faction. Thus, in the "Resolution by the CPC Central Committee on the Guiding Policy for Building Socialist Spiritual Civilization," which was passed on 28 September of last year by the 6th Plenary Session of the 12th CPC Central Committee, there is this passage: "China is still in the initial stage of socialism. Not only must it practice the policy of distribution according to work, it must also, for a fairly long historical period and under the premise of making public ownership of the means of production the main part, develop diversified economic components; and, with the common prosperity as the goal, encourage some people to prosper before others." This resolution was the product of a compromise in the struggle between the reform and conservative factions. From this passage one can clearly see that the first time that the reform faction used the term "initial stage of socialism" it did so in defense of the policy of the existence of diversified economic components, the development of the commodity economy, and the advocacy of the policy of free competition and of some people prospering before others. After the conservative faction initiated the "struggle against bourgeois liberalization," the reform faction raised the banner of the "initial stage of socialism" in resistance. It also, straightforwardly and in an above-board manner, discussed the things it wanted to do in the reform.

Is It a Case of Being the "Initial Stage" Or of Being "Insufficiently Structured"?

Although the "initial stage of socialism" is the thesis of the reform faction, the conservative faction was also forced to accept this term. It is said that in this connection there was a little episode. Allegedly, in the summer of this year, Deng Xiaoping received a statement from

the inner circle to the effect that China's socialism was still "insufficiently structured." This was equivalent to saying that China's society had not reached the stage of socialism. Therefore, Deng Liqun became extremely worried, and he hurriedly ordered that the term "insufficiently structured" was not to appear openly in the party's periodicals and newspapers, because if China's socialism was still "insufficiently structured," wasn't talk about "upholding socialism" so much nonsense? Deng Liqun thus revealed his feudal-bureaucratic "tail." Compared with "insufficiently structured," the "initial stage" is a hundredfold better, because, in the final analysis, it is still socialism. Most likely it was for this reason that the "initial stage" became a commonly accepted topic of conversation.

Although no one now publicly opposes the term "initial stage of socialism," I believe there is still a big difference as to what it means as well as to what line and series of principles and policies it will produce.

The commentaries from the interior that have now been seen for the most part say that because the initial stage of socialism is a "fairly imperfect socialism," the existence of diversified economic components is permissible. Actually, to admit that China is now still in the initial stage of socialism is equivalent to saying that the socialist transformations effected by the CPC in the mid-fifties were done too early, and also that a "leftist" judgement to go ahead with the "three great transformations" was made at that time. Thus, the pursuit of pluralization in the system of ownership in reality is a kind of "makeup lesson." Of course, with this "makeup lesson" the existence and development of the commodity economy and the market mechanism is both appropriate and legal.

As for the "initial stage of socialism," what effect will it have on the country's political life? This point has not been touched upon very much. An article that discussed it said: "In the initial stage of socialism, the people's democratic politics possesses great inherent vitality and prospects for development, but it cannot be as full and complete as many had envisaged." Naturally, the conservative faction and the "dictators" liked this sentence, because it provided an argument for "slowing" the reform of the political system and the coming of democratic freedoms. Of course, if we analyze a little deeper, we see that because China has not passed through the stage of capitalism, the political characteristic of the "initial stage of socialism" is that the socialism has a strong tinge of feudalism, or at least we may say: "Half of the socialism is feudalism." Naturally, the old feudal diehards turn a deaf ear to such talk.

The Next Round of the Initial Stage

Yu Guangyuan [0060 0342 6678], an outspoken Chinese Communist economist, on 3 September of this year, at a "discussion meeting on the theory and practice of the contract system," held at the Capital Iron and Steel Complex in Beijing, talked about this question. He

maintained that the initial stage of socialism in China is divided into three periods. The first period was from 1957 to 1978. In this 20-year "free state" period, China's economy stagnated. The second period is from after the Third Plenary Session of the CPC Central Committee in 1979 up to the present, and will go on until the end of the century. It is the period of reform. The third period will be that of the stable new system. Yu Guangyuan divided the initial stage into periods entirely from the angle of systems and production relations, but he did not set a limit to the third period. Was this a refurbished version of Liu Shaoqi's "Long Live the New Democracy"?

If, in accordance with Deng Xiaoping's method of division, the second period ends just when the quadrupling of the gross annual value of industrial and agricultural output is achieved and the per capita GNP is about \$4,000, then the third round or period will begin, and the superiority of socialism will be dispalyed in the middle of the next century. However, given that this is the case, China will still lag behind the developed capitalist countries and socialism will still lag behind capitalism. The initial stage of socialism lags behind the developed stage of capitalism—that's not very good to hear. It looks as if it would have been a little better to divide the stage by "systems."

On 11 October Zhao Ziyang received the "pioneer" of economic reform in socialist countries: Kadar, general secretary of the Hungarian Socialist Workers Party. Referring to the 13th CPC Congress, the two men said: "The central committees of our two parties will, integrating theory with practice, elaborate on the extremely important question of our countries being in the initial stage of socialism. This will be the fundamental basis for making policies and formulating lines." Although the term "initial stage of socialism" has been commonly accepted, I believe there is a controversy over how it is to be expounded.

Let's see how things develop after the 13th CPC Congress.

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Scholar Discusses Causes of Inflation

HK260701 Shanghai SHIJIE JINGJI DAobao in Chinese 21 Dec 87 p 7

[Article by Wang Cheng (3769 2052) of the Chinese Academy of Social Sciences: "The Type of Our Country's Current Inflation and Its Causes"]

[Text] In my view, the current inflation should not be treated in a general way. It is a special type of inflation with special causes under the special economic structure and economic environment in our country at the current stage.

We may identify the type of inflation through observing the relevant phenomena. The first relevant phenomenon is the rise in costs, which then drives up the prices of products. In addition, the sharp rise in wages also causes the rise in product prices. Therefore, it seems that the inflation in our country is cost-push inflation.

In theory, if there is only a driving force from cost rises and no corresponding support from demand, inflation cannot occur, because there is no condition for continuous increases in prices. When prices are driven up by higher costs and the demand remains unchanged, this will just result in a reduction in valid demand and a situation of oversupply, which will in turn draw down the prices or depress production. Things in recent years in our country showed that no general price reduction has appeared and no production shrink has occurred. So, we may conclude that problems also exist in the aspect of demand. However, if we regard our inflation as just a demand-pull type, our viewpoint may still be one-sided. My conclusion is that our inflation is a mixed type. Then, what are the causes of such inflation?

Inflation, no matter whether it is caused by high costs or by excessive demand, must be backed by the excessive supply of currency. If currency is not excessively supplied, no matter how high people's consumption desires may be, they can do nothing but cherish unrealistic desires. Even though some people may be canny enough to earn more money, this will just affect the demand structure and will not increase the total quantity of demand. The phenomenon of cost-push inflation also needs the expansion of total demand. So, inflation is in fact a kind of monetary phenomenon, and its cause can only be found in the supply of currency.

In our country, the state finance is a major factor for the excessive supply of money. A fact in our country is that "planning exerts pressure on state finance, and state finance exerts pressure on the banks." That is, the new construction projects specified by the economic plans increase the state's financial expenditure and even cause a deficit, which must then be made up by endless and unlimited overdraft from the central bank. As a result, the people's bank prints more and more banknotes to create superficial prosperity, and at least part of such prosperity is false. The vulnerability of such economic prosperity is demonstrated in the inflation brought about by the excessive supply of currency. Coupled with the financial overdraft is another problem in the traditional system. That is, leaders at all levels have the power to sign some brief and informal notes to authorize some people or units to obtain financial appropriations. All this indicates that the money supply mechanisms and the monetary management system in our country are still unreasonable; this is the cause of our current inflation.

FINANCE, BANKING

Survey Shows Support for Bond Markets

40060026 Shanghai SHIJIE JINGJI DAOBAO in Chinese 26 Oct 87 p 6

[Article by Xia Bin [1115 2430]: "Bank of China Organized Questionnaire Survey to Seek Opinions on Opening Up Major Circulating Bond Markets—We Can Speedily Organize to Open Up Various Types of Circulating Bond Markets"]

[Text] In June this year, the Bank of China together with its branches in Shanghai, Wuhan, Shenyang, Guangzhou, and Foshan locally organized a wide-ranging survey to gather opinions on opening up major circulating bond markets. This survey was totally aimed at enterprise units and public agencies. After more than a month's work, a total of 285 responses were received. The results reveal three characteristics in the distribution of various types of bonds (including state treasury bonds) currently issued among enterprise units and public agencies: (1) the load of enterprise bonds is light at both ends and heavy in the middle, with uneven hardship and ease; (2) the ratios of public agency and organization bond holdings in capital funds outside budgets are mostly under 30 percent; (3) the larger is the enterprise, the higher is the degree of public ownership and the greater is the burden of bond subscription.

In the polling of basic attitudes on opening up circulating bond markets and mortgage loan bond markets, 53 percent of the units agree with it and about 35 percent think it can be given a try. This shows that the absolute majority of the units surveyed support opening up circulating bond markets and mortgage loan bond markets.

What will be the trend of supply and demand after opening up major enterprise circulating bond markets? What will happen to prices and quotations? At least three conclusions can be drawn from the survey: (1) After the markets are opened, the scale of market transactions will be hard to predict, but we can expect that the market will not be cold. (2) As suppliers and customers of market bonds, enterprises will more often tend to be suppliers though it is not possible that they will solely play that role. (3) After the markets are opened, bond prices will not undergo major fluctuations.

This survey has provided us with the following revelations and suggestions:

1. The overall conclusions from the survey are: First, we can speedily organize to open up various types of circulating bond markets. The main holders of state treasury bonds in China today—a considerable portion of enterprise units and public agencies—have initially formed a mentality of profit and fluidity. They are willing to participate in the bond markets with the dual identity of suppliers and customers of bonds, not simply as suppliers. Second, to deal with the temporary shortage of

circulating funds for enterprises and to prevent the loss of control over the scale of fixed asset investment, it is entirely feasible to open up new short-term enterprise bond issuing markets and circulating markets within the short-term money market. Three, promptly formulate and announce the policy of free circulation of major bonds subscribed by units and individuals.

2. Regardless of the type of circulating bond markets opened up by enterprise units and public agencies, individuals must be permitted to participate so that various types of bonds may freely cross and circulate between different enterprises and individuals in different areas.

3. In order to enable enterprise units and public agencies and individuals to participate in circulating bond markets together, we must change the present policy of having different interest rates for the same type of bond. Otherwise, two markets will coexist in the circulating market and bonds will not easily circulate between enterprises and individuals. Actually, from the standpoint of a short-term static state of affairs, equalizing bond interest rates subscribed by units and individuals will increase financial interest expenses. But from the standpoint of long-term development, first, increasing the cost of capital raising exposes the contradictions in prices, which can check society's urge to invest; second, considering the time factor in interest payments and the anticipated inflation factor after certain number of years of the bonds, interest expense of the increased portion will actually be reduced; third, even more important is eliminating the negative character of interest rates and giving play to their normal function, which will be very beneficial to maintaining basic equilibrium of overall supply and demand in the society and to readjusting the industrial structure.

4. We must intensify the popularization and dissemination of knowledge on money markets and securities in the whole society. This survey was basically aimed at enterprise units and public agencies in coastal areas as well as areas where the commodity economy is relatively developed. But in the survey we have found that the respondents of a small number of enterprise units and public agencies do not know enough about finance and securities. Developing the money market is not solely a matter for banking circles. Only when people of all strata have a certain degree of knowledge on finance and securities can the market become more active.

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INDUSTRY

Hebei Industrial Output

40060116c Shijiazhuang HEBEI JINGJI BAO in Chinese 12 Dec 87 p 1

[Excerpts] In November, the gross value of industrial output in Hebei Province was 3.793 billion yuan, a 7 percent increase over October, and a 17.7 percent

increase over the same month in 1986. From January to November, the output value of industries owned by the whole people was 25.538 billion yuan, an 11.8 percent over the same period in 1986; the output value of collective industry was 11.053 billion yuan, a 18.8 percent increase; output value of light industry was 17.253 billion yuan, a 14.3 percent increase; and heavy industry was 19.48 billion yuan, a 13.5 percent increase.

Jiangxi Textile Industry

40060116a Nanchang JIANGXI RIBAO in Chinese
22 Dec 87 p 1

[Excerpt] As of 20 Dec, the output value of the textile industry in Jiangxi Province was 1.7 billion yuan, and profits may reach 210 million yuan, an 11.15 percent increase over 1986.

FOREIGN TRADE, INVESTMENT

Problems, Prospects in Sino-Soviet Border Trade Discussed

18120036 Moscow NEW TIMES in English
No 51, Dec 87 pp 26, 27

[Article by Evgeny Verlin and Albert Krivchenko: "To Mutual Advantage"]

[Text]

Border Trade: Problems and Prospects

Some time ago economists in a northern province of China discussed imports of chemical fertilizer. Having tested a Soviet product against an American one, they discovered that it is better suited to local conditions and brings better yields.

According to Chinese economists, this confirms the advantages of direct trade with the Soviet Union for China's border provinces. The high quality of Soviet exports and the low cost of transporting them across the joint border give Soviet products an advantage over those made in the West.

The same applies to Chinese-made goods popular in the Soviet Far East. Some Chinese exports can even compete with Japanese manufactured goods.

Views of Our Partners

According to the Director-General of the Chief Company for Foreign Trade of Heilongjiang Province Gao Yongwen who recently visited Blagoveshchensk to demonstrate his company's new products, it is his company's policy to expand border trade with partners in the Soviet Union. In his view, the economic potentials of territories on either side of the border complement each other, facilitating trade cooperation between the two countries. Indeed, there are shortages of some goods in the Far East

of the USSR and enough of these goods are produced in the neighbouring parts of China, which, in turn, are short of products and goods that can be readily obtained from the Soviet Union through border trade.

The Chinese are aware of the advantages offered by border trade. This year China has bought 20 times more mineral fertilizer than in 1983. Our partners in China have proposed that imports of fertilizer be increased to 200 thousand tons, or 50 percent of the entire demand in Heilongjiang Province. The Soviet side intends in its turn to increase exports of goods that are not produced in China's north-eastern provinces. Sea food is an important element in Chinese cuisine, but the Chinese provinces bordering on the Soviet Union have no access to the sea and that is why they would like to buy sea food in this country. Talks were under way in Blagoveshchensk to expand the export of Soviet frozen fish. For their part, Chinese companies have offered Soviet docks and shipyards paints, varnishes, anchor chains and labour-saving mechanisms that are badly needed. Chinese canned beef and fruit will be a welcome addition to the food market in Soviet Maritime Territory.

Several enterprises geared to trade with China are to be built in the Far East, but standing production capacity is also becoming involved. According to Far Eastern economists, it would be expedient to include in the aggregate output plan the manufacture of parts and components on orders from China and to import Chinese goods to the same sum.

The prospects for cooperation in industry and commerce are also good. The north-east of China has a big pool of labour and there are shortages of labour in the Soviet Far East, which has an especially adverse effect on labour-intensive enterprises. It would be quite logical to process raw materials on our orders in China and assembly some industrial and engineering products of our prefabricated units and parts there.

The vegetable market in the Chinese town of Heihe 300 metres across the Amur from Blagoveshchensk, is far richer than on the Soviet side of the border. Unlike Blagoveshchensk, the town does not import canned pickled cucumbers from Hungary, 10 thousand kilometres away. The Chinese are very good at growing vegetables and a considerable proportion of local produce could be exported across the border. Soviet cooperatives, on the other hand, have a sizeable stock of cheap implements such as rakes, spades, forks, saws, sledge hammers and files which are in great demand in Chinese villages. Cross-border exchanges between cooperative organizations could be very useful indeed.

Border trade makes it possible to involve in the turnover various kinds of goods that the USSR Ministry of Foreign Trade tends to regard as being of negligible economic value, in spite of the fact that they could bring in profits if sold across the border. At the moment the situation is rather a paradoxical one. Trade between the

two countries is worth hundreds of millions of rubles, but fails to account for the daily needs of consumers in Blagoveshchensk who want to buy Chinese lamp shades or, for that matter, the wishes of young women in Heihe who price coats made of thick woollen fabric of a kind with which Soviet stores in Blagoveshchensk are overstocked. This year border trade with China is expected to run to 50 million rubles, as compared with 6 million in 1983, but still stores in the Soviet Amur region do not have many Chinese goods on display.

There has been some progress, though. Following cooperative organizations in Amur and Chita regions, Khabarovsk and Maritime territories, their counterparts in the Buryat Autonomous Republic and Irkutsk and Sakhalin regions have also begun to trade with China. Ten Soviet enterprises of a countrywide significance have also become involved. In the autumn, representatives of Krasnoyarsk Territory and the fishing industry of Maritime Territory attended the exhibition of Chinese goods in Blagoveshchensk, where one thousand-odd items were on display. Once they have become involved in trading with China, border trade will double every year. It could be worth 100-140 million in 1988. What will sustain this growth?

Over the next 10-15 years the economy of the north-east of China will be interested in importing hardwoods and timber. A large part of its demand for them can be met by Soviet imports, but there are of course limits to the export of timber, as we do not want to fell all of Siberia's virgin forests and we must take our own economic plans, as well as the interests of our partners, into account.

So far, however, Soviet enterprises that are not economically independent have shown little interest in doing business, and there can be no talk about the rational methods of falling timber for export. Chita was the first to establish cross-border trading links with China. they accounted for a small proportion of the turnover. The obsolete and cumbersome managerial system is an impediment to them. Irkutsk joined in relatively recently. Cooperative organizations sell half-logs and planks to China, where the demand for them is great. The same could be done by enterprises in Amur and Chita regions, which have more than enough of such timber.

Much Food for Thought

Economists in Khabarovsk, Vladivostok and Blagoveshchensk share the view that local initiative can be stimulated by letting producers and manufacturers establish real independent cooperation in trade with foreign companies. The foreign trade agency Dalintorg and its subsidiary Dalprigran have been taking the lead up to now. Goods that did not feature on their balance sheets piled up in stores.

Some progress has been made, thought. Recently Blagoveshchensk and Heihe discussed plans for establishing cooperation between their respective department stores.

Chinese foreign trade agencies have been exploring the market in the Soviet border zone. As yet our far Eastern enterprises are not active enough. In Vladivostok and Khabarovsk, the complaint is that every transaction, however small, has to be discussed and approved at many levels. Local cooperative organizations made the same complaint, as their goods earmarked for export to China had to be given the go ahead at at least three levels: by the local government, the management of Dalintorg in Nakhodka, and Rospotrebsoyuz in Moscow. Dalintorg received orders for goods offered by Chinese partners via a succession of intermediaries. On the other hand, Dalprigran's partners in China have for several years enjoyed unimpeded access to any supplier or local market in their own country, and this is why they have more room for prompt manoeuvre.

We asked members of the local government in the community of Pogranichny, a few kilometers from the Amur, whether they can establish direct trading links with the Chinese city of Suifenhe, where a commercial company has already been setup, and heard the customary, "Who is going to give us the funds?"

Vigorous "horizontal" commerce is on the order of the day, based as it is on the partners' economic independence. For this, the main thing is the enterprise's economic self-management.

Recently a party and government decision concerning the expansion of border trade has been adopted. The Dalintorg (Far East foreign trade organization) has been allowed to conduct trade operations with Australia, New Zealand, Singapore and Thailand. In short, good prospects are opening up. What is needed now is to take practical steps.

/12232

Suggested New Measures To Improve Investment Climate

40060067 Beijing GUOJI MAOYI [INTERTRADE] in Chinese No 10, 27 Oct 87 pp 39-42

[Article by Yang Aiqun [2799 1947 5028]: "Improve the Investment Climate to Take Advantage of International Capital"]

[Excerpt] Frankly speaking, China's investment climate is still imperfect in many ways. To broaden the channels of investment, we must continue to improve the investment climate in light of the criticisms of modern international capital and the objective requirements of the choices it makes, and strive to create external conditions attractive to international capital.

For China, a developing nation with a fragile foundation and a large population, improving the investment climate is a mammoth and complex piece of systems engineering. On the one hand, we must keep up with

advanced investment climates in the world by conducting comparative analyses with our major competing investment climates, especially those in the Asian-Pacific area. Learning from international practices and successful foreign experiences, we should set specific goals and pinpoint a direction for improvement. On the other hand, we must take domestic realities as our starting point, draw up an improvement blueprint compatible with China's actual economic conditions, and implement it in stages in tandem with economic structural reform.

Based on successes and failures at home and abroad, China should concentrate at present on the following measures to improve its investment climate: 1. Further improve and strengthen the foreign capital management system and step up macroeconomic control in earnest. As far as foreign investors are concerned, this management system should have such features as high efficiency, flexibility, operational adaptability, and reputability. Foreign success stories and our own experience prove that foreign capital management should neither be centralized in one agency nor scattered among several. An effective approach would be to allow the various functional agencies concerned to participate in management and engage in a kind of division of labor, each responsible for its own tasks. Above them should be an authoritative management organization capable of unifying and coordinating all the agencies involved. Under this kind of system, we can take the following necessary steps to improve the investment climate: 1) organize and gather pertinent information and news, both domestic and foreign, formulate legislation on foreign capital utilization, and work out corresponding principles and policies; 2) draw up a national foreign capital utilization plan and incorporate it into the national economic and social development plan. In addition, we should prepare a detailed implementation plan to make sure that every plan we make is carried out and brought to fruition to our benefit; 3) we must free ourselves from the trammels of fragmentation by marshalling and uniting the forces of all relevant sectors. We should zero in on improving key aspects of the investment climate so that we can coordinate our plans, moves, and actions on the macro level and reconcile special interests with the general interest. The localities may establish a corresponding management system based on their own needs, assist the central government in its work, and improve their local investment climate.

2. Improve cooperation effectiveness conscientiously. There are two aspects to this: one, improving the effectiveness of cooperation between government administrative and management agencies and foreign businessmen, and two, furthering the effectiveness of cooperation between Chinese and foreign partners in Sino-foreign contractual joint ventures. Problems exist in both areas at the moment. Modern international capital travels very rapidly and objectively requires a high degree of cooperation effectiveness to go with it. Policy relaxation alone will not improve the investment climate. What is also

necessary is that policies are carried out effectively. To the foreign businessman, being able to pay a little less in taxes is far less attractive than the Chinese government taking practical measures to simplify formalities and speed up its actions. Full protection must be accorded foreign-funded enterprises to make sure they have adequate decision-making power in operations and management to enable them to engage in production and business activities in accordance with a plan within the limits allowed by Chinese laws and relevant contract provisions. We should support foreign-funded enterprises in actively adopting advanced managerial techniques in use in international business and give them special needed autonomy in business decision-making, wage-setting, fund-raising, and commodity circulation in order to maximize their vitality and economic returns.

3. Seek common ground in the motives, goals, and interests of Chinese and foreign partners. International investment is a form of international economic and technical cooperation premised on equality and mutual benefit. The purpose of improving China's investment climate is to attract foreign capital and acquire the world's modern advanced technical and managerial know-how. Foreign businessmen invest in China in order to make a profit. Each party has its own motives, goals, and interests. If we represent them as curves on a piece of graph paper, the intersection where the curves meet is where the equal exchange sought by both sides takes place. If both sides accurately locate this meeting point, then chances are very good that cooperation will succeed. Out of consideration for both sides' interests, the partners should work hard to create an atmosphere favorable to cooperation.

4. Formulate an exchange rate policy and open up the foreign exchange market. A sound exchange rate policy should be one that would gradually shift toward floating rates under effective macroeconomic control. Given the existing fixed rate system, we should try to combine devaluation with stabilization. It seems that in the short run, we would do well to maintain exchange rates at stable levels in order to balance the international payments and stabilize domestic prices. In the long haul, we should reform the current foreign exchange control system, open up the foreign exchange market, promote state bank participation in the financial activities of the foreign exchange market, permit a certain amount of participation by the masses, engage in transactions on the spot exchange within certain limits, and allow valid exchange rates to float, thus creating conditions that would help foreign-funded enterprises balance their foreign exchange.

5. Make full use of China's advantage of low-cost production. For relatively simple projects utilizing foreign capital, the various expenses involved are quite low. That should have been our strength when it comes to attracting foreign capital. Yet there were instances in the past in which a handful of sectors ripped off foreign

businessmen. In any deal involving a foreign businessman, they demanded unreasonable exorbitant payments, little knowing that they were undermining their own strength in the process. Impatient to reap instant profits, they killed the goose that laid the golden egg. We should rectify such foolish conduct resolutely to ensure that we make the most of our strength.

Meanwhile, we should actively promote technology upgrading, step up staff training, enhance enterprise quality, and ultimately create for ourselves a new advantage—rising labor productivity—that would lower production costs and help us meet the objective requirements of utilizing foreign capital and acquiring advanced sophisticated projects.

6. Step up the monitoring of and research on international capital and map out an overall strategy to improve the investment climate. The movement of international capital has its own intrinsic objective laws. Only by intensifying our monitoring and research can we master such laws and use them as the basis on which to formulate a proper overall strategy. As far as short-term measures go, we should concentrate at present on improving intangible conditions in the investment climate. In the long run, we should focus on tangible conditions.

Today international capital is eyeing the rising Asian-Pacific region, which shows every promise of becoming the new world economic center. This presents our drive to utilize foreign capital with a severe challenge as well as a rare opportunity. The key to winning this challenge is to do our level best to create a favorable investment climate. And the time to take up the challenge is now.

12581

Preferential Measures Help Fujian

40060046 Fuzhou FUJIAN RIBAO in Chinese
16 Oct 87 p 1

[Article: "Implementing State Council's '22 Articles' in Fujian Brings Results, Improves Investment Climate, and Attracts More Foreign Capital"]

[Text] In the afternoon of 14 October, provincial Economic and Trade Commission Vice-Chairman Shi Zengping [2457 1073 1627], speaking at a news conference called jointly by the provincial Party committee publicity department and the provincial Economic and Trade Commission, said that in the year since the State Council formulated and issued its 22 articles to encourage foreign commercial investment, there has been a steady and sound development in Fujian's efforts to attract foreign investment, such investment has been made in a reasonable manner, and there has been an improvement in the production and management of existing foreign commercial investment enterprises.

Shi Zengping said that after the State Council's 22 articles were announced on 11 October 1986, the provincial government and the cities set up a leadership organization for foreign commercial investment enterprises, and enhanced guidance on the macroscale. In addition, at the end of that year the provincial Party committee, at the Fourth Session of the Fourth All-Party Enlarged Conference, passed the "Resolution on Expediting the Opening and Further Development of an Export-Oriented Economy" to indicate the direction in which efforts should be applied to develop foreign economic relations and trade in Fujian. The relevant departments worked together closely, implemented a preferential policy, adopted supportive measures, and increased services and work efficiency, which improved the investment climate in Fujian and made it more attractive to foreign commercial interests. In 1987, 174 new contracts to attract foreign capital were signed province-wide from January to September alone, amounting to \$144.36 million, which was a 200 percent increase over the same period the preceding year. The amount actually utilized totaled \$125.36 million, which was a 100 percent increase over the same period the previous year. Of the 174 contracts, 132 of them involved direct investment by foreign commercial interests, totaling \$56.56 million in foreign capital, which was a 20 percent increase over the preceding year. The direction in which foreign investment was made tended to be reasonable. Ninety-seven percent of the contracts newly signed in the first half of 1987 were production contracts. Of the 54 contracts concluded in the Southern Fujian Delta Economic Development Zone foreign commercial investment and trade symposium, 52 were production contracts.

Due to the hard work of all concerned, there has been an improvement in the production and management situation of existing foreign commercial investment enterprises. From January to September, industrial output value of foreign commercial investment enterprises in the province amounted to more than 1.4 billion yuan, a 130 percent increase over the same period the previous year; the net increase in industrial output value accounted for one-third of the province-wide increase in industrial output value, and the quantity of products exported grew more than 500 percent over the same period the previous year. There are presently throughout the province 94 enterprises which have been classified as enterprises producing export commodities and enterprises employing advanced technologies, and which enjoy preferential treatment by the state. Improvements in management have enhanced foreign investor confidence. Figures show that 22 enterprises have expanded investments by \$40 million, and some enterprises have begun to form business conglomerates.

And finally, Shi Zengping mentioned these problems which await further efforts for improvement in the process of implementing the State Council's '22 Articles': services are not yet satisfactory; examination and

approval procedures are too complicated; there is an acute shortage of raw materials; there is an insufficient supply of electricity; and some management systems are not strict enough.

12513/09599

ECONOMIC ZONES

Hainan To Become China's Largest Special Economic Zone

40060034a Shanghai WEN HUI BAO in Chinese
9 Oct 87 p 1

[Article by staff reporter Yue Di [2867 6611]; First paragraph is source supplied introduction]

"Xu Shijie [6079 1102 2638], Head of the Preparatory Group for the Founding of Hainan Province, Said in an Interview With a WEN HUI BAO Reporter That Hainan Island Would Be Built Into China's Largest Special Economic Zone [SEZ] Province; Premier Zhao Ziyang Has Issued the Following Specific Instructions on Building Hainan: As Soon as Hainan Province Is Founded, It Will Be Necessary To Completely Reform Its Political and Economic Systems, Devolve Its Foreign Exchange Management Authority to Lower Administrative Levels, Eliminate Its Export Quota Restrictions, Allow It To Balance Its Own Budget and Rent Its Land, and Give More Preference to Its Investors From Both China and Abroad"]

[Text] Hainan Island will be built into China's largest SEZ province, enabling it to become an "international thoroughfare" for China's opening to the outside world and Sino-foreign economic exchanges. The measures that have proved effective in the other four SEZ's will be fully applicable to Hainan Island, and it will be given the freedom to formulate policies that are even more "special" than those in the present SEZ's. This shows that China's reforms and policy of opening to the outside world are firm and unshakable and will continue to expand. Xu Shijie, head of the Preparatory Group for the Founding of Hainan Province, made the above statements on the morning of 8 October 1987 at Haikou, Hainan in a private interview with a reporter from WEN HUI BAO's Guangzhou office.

Xu Shijie revealed that he and Liang Xiang [2733 3276], deputy head of the Preparatory Group for the Founding of Hainan Province, had gone to Beijing on 10 September 1987. Premier Zhao Ziyang met with them on 11 September 1987 and issued specific instructions on the preparations for the founding of Hainan Province and tentative plans for developing and building Hainan. As soon as Hainan Province is founded, it will be necessary to completely reform its political and economic systems, devolve its foreign exchange management authority to lower administrative levels, eliminate its export quota restrictions, allow it to balance its own budget and rent

its land, and give more preference to its foreign, Hong Kong, Macao, and domestic enterprise investors. In addition, Hainan Island will become a No 2 customs zone. Xu Shijie said that working to develop foreign trade, banking, tourism, minerals, and economic prosperity in Hainan Province will help to build and develop China's second largest island and its only subtropical region, and will also play a historic role in using the South China Sea's marine resources and promoting economic prosperity in Hong Kong.

Summarizing the present preparations for the founding of Hainan Province, Xu Shijie said that relevant State Council departments and the Preparatory Group for the Founding of Hainan Province are formulating a set of laws, regulations, and policies suited to Hainan. Previous plans for building Hainan Island's infrastructure have been vigorously revised, construction has been speeded up, and building has begun on a number of reservoir, power generation, communications, and telecommunications projects. Xu Shijie thinks that building may have begun on some projects before the National People's Congress formally approves the founding of Hainan Province in 1988, and that a good investment climate will be achieved in 3 to 5 years.

Xu Shijie hopes to pass the message through WEN HUI BAO to enterprises in Shanghai and developed coastal areas that they are welcome to set up factories and invest in Hainan Island. People with all kinds of professional skills from inland China are also welcome to devote their intelligence and wisdom to developing this valuable island. Those who wish to look over the prospects will not have to report in advance to the local authorities for change of residence. People from all walks of life are also welcome to tour the unique sights of Hainan Island.

Xu Shijie said that the present shortage of large numbers of qualified personnel is a major difficulty in developing Hainan, but that the experiences of the four major SEZ's in the past few years have shown that SEZ's are good, have bright futures, and are able to attract investments. He visited Hainan for several weeks, received a lot of mail indicating willingness to work in Hainan and offering advice for the SEZ, and is full of confidence about Hainan's growth.

12267/09599

Qinhuangdao's Progress as One of '14 Coastal Cities'

40060034b Hebei JINGJI BAO in Chinese
20 Oct 87 p 1

[Article by Yang Baozhu [2799 1405 2691]]

[Text] The beautiful coastal city of Qinhuangdao has recently signed four more contracts for joint ventures with four Hong Kong companies. It has now signed contracts with foreign businessmen for 36 joint ventures

and contractual joint ventures with an investment of \$195 million, used \$110 million of foreign capital, and established trade relations with 109 countries and regions throughout the world.

Not only does Qinhuangdao have the world-famous Beidaihe summer resort, the eastern end of the historically world-renowned Great Wall at Shanhaiguan, and a complete tourist network of mountains, seas, valleys, lakes, caves, and hot springs in which foreign businessmen can work and play, but it also has a harbor that is well-developed for ocean shipping and is China's largest energy transfer port. Since it was opened to the outside world, Qinhuangdao has fully used its geographical advantages. Based on the principle of "laying a foundation and striving for development" and focused on building its economic development zone [EDZ], it has done much solid basic work and made big improvements in its urban water-supply, communications, and telecommunications infrastructures. Building was begun in April 1985 on the first 0.62 sq km of key construction for the Qinhuangdao EDZ. Its "extensive" infrastructure is now basically finished, 7,000 sq m of well-equipped factory buildings have gone into operation, and it is ready to plan projects.

In order to speed up the EDZ's growth and attract more foreign investors, the Qinhuangdao Municipal Government announced at the beginning of 1987 eight preferential policies for its Sino-foreign joint ventures, Sino-foreign contractual joint ventures, and wholly foreign-owned enterprises. These include the following: exemption or reduction of local income taxes; exemption from development and land-use fees during construction periods; listing and guaranteeing of capital construction projects as key municipal projects; streamlining of examination and approval formalities; giving of full autonomy and permitting independent decisionmaking on job advertisements, worker recruitment, wages, and bonuses.

Qinhuangdao's geographical advantages and its preferential policies to attract foreign investors have enabled it to import several major projects that will play a role in promoting economic growth both in Qinhuangdao and throughout China. The Sino-Arabian Chemical Fertilizer Corp. rising over the Qinhuangdao seacoast is one of China's largest joint ventures in the chemical industry, with an investment of \$50 million. When put into production, it will produce 480,000 metric tons of ammonium dihydrogen phosphate and 600,000 metric tons of compound fertilizer a year, greatly alleviating China's shortage of compound fertilizer. The Bangdi welded tubes produced by the Huayan Bangdi Tube Corp., a Sino-Australian joint venture that is already in operation, have filled in one of China's industrial gaps and ended the need for China's refrigeration industry to import large amounts of cooling coils. The Bohai Aluminum Corp. is a joint venture between China and the Hong Kong Xiaoteji Corp. that makes aluminum molds. It is larger than all but a few factories in China, and its

next major goal is to form a joint venture with Australia to make aluminum alloys. It will have an investment of 470 million yuan and be one of China's few large joint ventures.

12267/09599

AGRICULTURE

Ma Yongwei on Rural Credit

40060044 Beijing NONGCUN JINRONG [RURAL FINANCES] in Chinese No 20, 16 Oct 87 pp 4-7

["Excerpts" of speech by Ma Yongwei [7456 3057 0251], president of the Agricultural Bank of China, at an emergency meeting of the bank's branch managers from all parts of the country]

[Text] Editor's Note: An emergency meeting of branch managers of the Agricultural Bank of China from all parts of the country was held in Beijing on 27-28 September 1987. The meeting conveyed the directives on money supply control and tightening financial and credit management issued by the national planning conference and the national conference on the reform of the economic structure, analyzed the situation and trend in the implementation of this year's rural credit plan, and, proceeding from the realities in rural financial work, studied specific measures for achieving a balance in credit work in the 4th quarter. President Ma Yongwei made an important speech at the meeting, of which the following are excerpts. Branches of the Agricultural Bank at all levels are urged to study the speech carefully, take the interests of the whole into account, and make a joint and determined effort to carry out the directives.

I. The Situation and Tasks in Rural Credit Work

Since the beginning of this year, the cadres and workers of the rural financial system have, under the leadership of the party Central Committee and the State Council, conscientiously implemented the "tight but flexible" credit policy, intensified the reform of the rural financial system, launched the campaign "to increase production, practice economy, raise revenues, and reduce expenditures," implemented the principle of "guaranteeing the construction of projects included in the state plan, of productive projects, and of key projects, while restricting projects that are outside the state plan, nonproductive, and nonkey," raised funds effectively, and tapped potential financial resources, thus making important contributions to the planned development of the rural commodity economy.

The major economic problem at present is the instability of prices. The prices of capital and consumer goods have both gone up quite sharply. The fundamental

reason for the price increases lies in our failure to keep investment and consumption demands under effective control. Our total demand is still in excess of total supply.

To maintain steady economic growth and avoid major fluctuations, the State Council has decided to further implement the policy on stabilizing the economy and give top priority to stabilizing prices in the coming year. To maintain price stability, it is imperative at present and in the coming year to adopt more strict financial and credit policies. At the same time, it is necessary to increase production, raise revenues, and expand total supply.

The present levels of total demand and money supply are the cumulative results of several years of overexpansion. Cutting down money supply abruptly in the next year could result in curtailment of credit without distinction, and that is not the purpose of control. Therefore, in order to bring credit and money supply under control in the next year without causing too much of an economic shock and unnecessary losses, the State Council calls for action now. Credit and money supply must be curtailed effectively beginning in the 4th quarter of this year.

To carry out this important State Council decision, the People's Bank of China has recently laid down the following guidelines for the work of the financial system in the 4th quarter:

(1) In implementing a tightened credit policy, it is necessary to guarantee loan funds for the key projects, while curtailing credit in general. In the area of capital construction and technological renovation, the launching of new projects must be strictly controlled, and the loopholes through which bank loans are extended to projects outside the state plan must be plugged. (2) In principle, the central bank will no longer provide loan funds to the industrial and commercial banks and agricultural banks. These banks must raise funds on their own. (3) Temporary loans which have been repaid to the central bank in the first 8 months of the year should be controlled strictly in the way they are used in the 4th quarter. (4) Areas which have failed to fulfill their quotas in selling bonds issued by the state on major construction projects must pay for the bonds with funds out of their own extrabudgetary deposits, or an equivalent amount will be deducted from funds they could otherwise receive as loans for fixed assets. They are not allowed to issue local bonds. (5) Funds for the purchase of agricultural and sideline products are to be raised exclusively by the various specialized banks. (6) The rural credit cooperatives assigned to raise funds in the form of special deposits must fulfill their quotas before the end of November. The funds will be placed under the overall control of the head office of the People's Bank of China. (7) Efforts should be made to tap the potential financial resources, striving to fulfill and overfulfill the targets set for each area. (8) The agricultural banks should keep loans to town and township enterprises at the level at the

end of June, and new loans should be made only when old ones are repaid to speed up turnover. (9) The unused portion of the year's fixed asset loan funds can be transferred for use in the next year. (10) It is necessary to strengthen control over the trust and investment organizations and provide guidance for their use of capital. They are not allowed to use trust funds on capital construction which is outside the state plan. Nor can they use borrowed funds to make fixed asset loans. Violations of these restrictions will be dealt with severely. (11) It is necessary to step up feedback and keep abreast of new developments. Beginning from the 4th quarter, all the banks should issue a report every 10 days on deposits and loans so that information on credit in various areas will be readily available. The practice of making loans in a hurry at year's end must be firmly checked. Investigations should be conducted jointly by the auditing, discipline-inspection, and other relevant departments, and cases of hasty loan applications and approvals, even in disguised forms, must be seriously dealt with. We feel that under the present conditions, the State Council's decision to tighten financial and credit controls is entirely proper, and that the recommendations offered by the People's Bank in the above are very timely and necessary. Cadres and workers of the rural financial system must take the overall interest of currency, price, and economic stability into account and make new contributions too achieving a balanced national credit plan and accelerating the steady and coordinated development of the rural economy.

II. Major Measures To Be Adopted in the 4th Quarter

1. The guidelines for rural credit work in the 4th quarter must be made clear. It is imperative to implement the principle of tightening financial and credit controls and the credit policy of "combining strictness with flexibility and dealing with each case on its merits" put forward by the State Council. Each credit unit must rely on its own efforts to raise funds, tap potential financial resources, and achieve its own balance between receipts and payments. While tightening credit control, efforts should be made to readjust the credit structure to speed up capital turnover and raise efficiency. A tightening up of overall financial control refers mainly to reducing the total volume of money in circulation. Funds needed for normal production and circulation must still be made available. It is necessary for everyone to have a common understanding of the State Council's policies and give support to the banks and credit cooperatives to implement these policies. Reforms should be combined with development so that the widening reform of the rural financial system will result in improved relations among different quarters, which in turn will help resolve the contradictions between money supply and demand for credit and promote steady and coordinated economic growth.

2. In rural financial work, top priority should still be given to vigorous fund-raising and tapping potential financial resources. The actual implementation of the

credit plans in the past 8 months and the trend of development for the next few months show that the agricultural bank has a serious fund shortage. At the same time,, because of the increased output of several major agricultural and sideline products this year, more funds will be needed in the next few months for increased purchases and storage. In order to build up the agricultural momentum and insure another good harvest next year, additional funds will be needed to pay for the autumn sowing, autumn harvesting, self-help projects in disaster areas, construction of small irrigation and water conservancy works, and so forth. Thus, even though the scale of construction has been cut back as a whole, the supply of credit funds still falls short of demand. To be sure, certain areas may have a surplus of credit funds, and this calls for proper regulatory measures to facilitate lateral cash flow. Regional and seasonal differences allow plenty of room for maneuvering even within the rural financial system itself. Therefore, agricultural banks and credit cooperatives at all levels must spare no efforts to attract deposits and to recover loans which are due or overdue.

3. For funds needed for procurement of agricultural and sideline products, all reasonable requests should be satisfied. Each bank and credit cooperative should rely on its own efforts to raise funds and achieve a balance. Funds allocated for procurement in the national plan must be used for procurement. New deposits in the 4th quarter should be used to meet procurement requirements on a priority basis. In a real bind, the agricultural bank or credit cooperative may apply for a temporary loan from the provincial branch of the People's Bank.

While guaranteeing funds for the procurement of agricultural and sideline products, active support should also be given to state-operated businesses and supply and marketing cooperatives by meeting their reasonable requirements for funds so that they can stock up on fast-selling manufactured products and capital goods to insure market supply, support production, and expand circulation. It is necessary to carefully study the new situation and solve the new problems of credit and account settlement brought by the basic-level supply and marketing cooperatives after they are turned into contract or lease operations. While helping the supply and marketing cooperatives expand their reforms, it is also necessary to guarantee the secure and efficient use of the state's credit funds.

To increase the ability of the head office of the Agricultural Bank to regulate funds, all temporary loans obtained by the branches from the head office must be paid back on time. Branches, which have been allocated more funds for procurement of agricultural and sideline products than actually required, should turn over a certain portion of the surplus to the head office for use by branches which are purchasing more agricultural and sideline products than planned.

4. Town and township enterprises must follow the principle of developing step by step and in a planned way. Loans extended by the agricultural banks to town and township enterprises must be kept within limits set by the head office. New loans are extended after old loans have been repaid, and the most qualified enterprises will be given preferential treatment. Loans should be approved on two conditions, both concerning economic performance: the enterprise must have actively checked and properly handled cases, if any, of misuse of funds; and it must have supplemented its own working funds as required. There will be no loan if these two conditions are not met. Support should be given to reasonable requests for working funds by enterprises of the first category, but should be curtailed and gradually replaced by secured or mortgage loans for ordinary enterprises. Enterprises with more debts than assets, on the verge of bankruptcy, or showing poor performance should not be given new loans, but should be pressured to pay back their old loans. Loans to newly established enterprises should be strictly controlled.

Enterprises should be energetically helped to improve management, distribute profits reasonably, gradually increase accumulation, and strengthen their capacity for self-development and self-renovation.

5. In order to increase agricultural production and maintain a steady growth in the output of grain, cotton, meats, sugar, vegetables, and other major agricultural and sideline products to insure nonstaple food supplies to the cities, it is necessary to make funds available for agricultural and livestock production during the autumn-winter period, provided such support can really produce results, will not affect the availability of funds for the procurement of agricultural and sideline products, and will not require additional borrowing from the People's Bank.

Reasonable requests for funds for the following purposes should be met promptly: restoring production in disaster areas, purchasing means of agricultural production for autumn sowing, popularizing and applying agricultural science and technology, construction of small irrigation and water-conservancy projects, and development of rural resources, suburban agricultural and sideline production bases, and state crop and livestock farms.

The special discount loans allocated to various areas for support of the poor should be distributed according to the principle of "unified planning, joint appraisal, independent application, and independent distribution." Funds left over from the last year for this purpose totaled 500 million yuan. The People's Bank has agreed to match the amount with another 500 million yuan. After this meeting, the money will be distributed to the provinces and regions concerned. The special discount loan funds for the next year will be made available to the provinces and regions before the end of March if possible.

If the level of agricultural loans is less than sufficient, and the banks have more funds available, the facts should be reported truthfully in writing to the head office for consideration, and suitable readjustments can be made upon approval by the head office.

6. Trust organizations should be placed under stronger control and guidance. The trust and investment companies should continue to raise trust funds and expand their sources of capital to give support to projects which will produce good economic results, are in line with the loan policy, and for the time being are unable to obtain loans from banks, thus giving play to the supporting role of the trust business. Reasonable readjustments should be made to the investment direction of trust funds, gradually increasing the proportion used as loans for agricultural development and related projects.

In expanding their business, the trust and investment companies must follow the credit plans approved by the local branches of the People's Bank. Funds dispensed by them as loans, investment, or rentals for fixed assets may not exceed the fixed asset loan plans approved by the People's Bank. They may not use borrowed funds to make fixed asset loans, or use credit funds to make trust loans. Loans, investments, and leases must be based on accurate appraisals, follow strict rules, and must be guaranteed of repayment when due.

Trust and investment companies should become real financial enterprises with independent accounting and management, responsible for their own balances and taking their own risks.

7. The rural financial market should be improved and developed continuously. Because the total amount of money in circulation has to be brought under control, and because the availability of rural credit funds varies from place to place, season to season, and trade to trade, the improvement and development of the rural financial market and the strengthening of the vertical regulation and lateral movement of credit funds have become an important way to speed up capital turnover and alleviate the contradiction between supply and demand. The organizing, controlling, and regulating role of the coordinating and planning departments should be strengthened in improving and developing the rural financial market, and problems that have cropped up must be dealt with seriously. The head office re-emphasizes: Agricultural banks and credit cooperatives may not use funds they have borrowed as short-term loans to make long-term investment or to expand the scope of their credit operations, and these short-term loans must be repaid promptly when due. Credit cooperatives are ineligible for bank loans if they have used their own funds to make short-term loans to others. The short-term loan market should largely remain nonvisible, making use of existing communications and information equipment to the extent possible to prevent waste and formalism. At present, short-term loans should be used mainly for the procurement of agricultural and sideline products.

8. Supervision and guidance should be strengthened for the loan operations of credit cooperatives. As a component of the financial system, the credit cooperatives also should proceed from the interests of the whole, follow the requirements of the overall state control, and implement the national policy of tightening credit management. However, as a cooperative financial institution, they are different from the state agricultural banks in the implementation of the state's credit policy. The credit cooperatives should be guided by economic means to achieve the expected goals of control.

First, after putting a sufficient amount into a reserve fund as a guarantee for its normal financial operations, a credit cooperative is expected to fulfill the task assigned by the People's Bank to raise funds through a special savings campaign before the deadline by attracting depositors, recovering loans which have matured or are overdue, and curtailing credit.

Second, in some provinces, the credit cooperatives have not yet put enough into the reserve fund. They have already been told to do so before the end of September. Under unusual circumstances, the deadline may be extended to the end of October with the head office's approval.

Third, attention should be paid to the timely repayment of the supporting funds and short-term loans extended by banks to credit cooperatives. The cooperatives which have the ability to pay are expected to do so, particularly the supporting loans which are long overdue.

Fourth, it is necessary to conscientiously implement the No 267 Document (1987) issued by the head offices of the People's Bank and the Agricultural Bank, that is, the "Interim Provisions for the Management of Credit Funds by Rural Credit Cooperatives." In this document, there is a reference that loans should not exceed 75 percent of deposits plus the cooperative's own funds. Here, the 75 percent is the limit which may be reached ultimately as the proportion of the reserve fund gradually diminishes. It does not mean that 75 percent of the deposits and funds can be used right now. With the total amount of credit curtailed, it is necessary for the credit cooperatives to rationally readjust the loan structure, strengthen credit management, and improve economic results.

5. Loans extended by the credit cooperatives to town and township enterprises for equipment should be kept under 30 percent of loans extended to new town and township enterprises.

Sixth, as the reform intensifies, agricultural banks should actively help credit cooperatives strengthen their internal management. As the control over the way funds are managed by the credit cooperatives becomes more relaxed and flexible, it is necessary to study and work out a set of management procedures to give proper guidance to the direction and volume of their cash flow and

increase their capacity for self-discipline so that their operations and activities will always develop soundly along a course which combines macroeconomic state control with microeconomic relaxation and flexibility.

9. Hasty approval of loans in the 4th quarter is strictly forbidden. It should be emphasized: The expanded loan figures resulting from hasty 4th quarter approvals will not be used as the basis for next year's plan, and those who make such hasty loan approvals will be held responsible for any loss of capital that may result. This should be made a part of the manager responsibility system. If loan funds earmarked for technological renovation and equipment renewal of town and township enterprises are not used up at year's end, the remainder can be transferred for continued use in the next year. It is necessary to prevent inter-bank transfer funds from being used as loan capital. Accounts for such transfer funds should be settled from time to time according to regulations.

10. It is necessary to strengthen leadership over credit work in the 4th quarter.

From now on, it is imperative to keep money supply under strict control and to adopt a tight credit policy. This is a very urgent and difficult task faced by agricultural banks and credit cooperatives at all levels. It must be done without causing any major problems. To be sure, more stringent management of credit funds may cause some problems, but from an overall viewpoint they are just local and isolated problems and cannot cause any serious damage. This is the only way to make the enterprises improve management and administration, cancel the projects which can produce no economic benefits or are beyond our capabilities, stop the waste of money, and tap the tremendous potentials. It is also the only way to fundamentally improve the economic performance of the banks and credit cooperatives.

The principal leading comrades of the agricultural banks and credit cooperatives at all levels should personally attend to this task. The task should be linked with the efforts to combat bureaucratism, the campaign to "increase production, practice economy, raise revenues, and reduce expenditures," the intensification of the reform of the rural financial system, and the current financial, tax, and price inspection. The auditing of the implementation of the credit plans should be strengthened, and problems should be solved in good time. Serious problems, fraud, and losses must be handled seriously.

Leading bodies at all levels should improve their work style, and the functional departments should closely cooperate, face the realities, conduct investigation and study, and solve the new problems in implementing the credit plans. In order to raise and use funds rationally and efficiently and to transmit information promptly and accurately, the head office has decided that, while

continuing to improve the existing 10-day-report system, a 5-day report will be started in December, and all branches are expected to comply.

12802/9738

Adjustments Needed in Rural Monetary Policy

40060014 Beijing JINGJI CANKAO 14 Sep 87 p 4

[Article by Yi Ming [0122 2494] of the Agricultural Bank of China: "Views on the New Rural Economy's Monetary Policy"]

[Text] Continuous advances in rural socialization and specialization will certainly spur the rural economy to become more oriented toward money and credit. Rural monetary policy is regarded as a major lever in regulating the rural economy, its basic tasks being to develop the economy and stabilize the money supply. But along with changes in the rural economy, it will be necessary to continue to give it new tasks.

1. The Sole Criterion for the Rural Money Supply Must Be Market Demand: The major cause of the recent increase in the rural money supply is that more money has been put into circulation to procure agricultural sideline products. Since agricultural sideline products are now becoming increasingly plentiful and the peasants have become the principal movers of the rural economy, the major criterion for judging overall market coordination has become the demand for its products. Except for those which the state contracts to procure as needed, most agricultural sideline products have been completely deregulated and can be bought and sold freely and marketed at will. However, when the products that are produced are not needed but still procured and overstocked in warehouses, their value can certainly not be truly realized, nor can they go on being exchanged for money through commodity circulation. In which case even though the money put into circulation to procure agricultural sideline products is backed up by material goods, it will still be extra money in circulation.

2. Rural Monetary Policy Must Correspond to Changes in the "Dual" Economy: The separate growth of traditional agriculture and the nonagricultural sector has formed a dual rural economy. Not only must the rural money supply be a medium for exchanging agricultural and industrial products, but it must also serve the growth of rural industry. The objective laws of rural industry cause its money circulation for production and management to have the same characteristics as, or to merge directly into an organic whole with, urban money circulation. Since rural and urban markets were deregulated, changes in the rural economy have enabled the rural money supply to be limited no longer to the rural areas alone, but also to begin to move into the cities and have a major effect on overall money circulation. If the money put into rural industry does not correspond to the building materials, raw and processed materials, fuels,

power, and energy that can be distributed to it, the supply and demand of goods and material will be imbalanced and rural and urban markets will be unstable. Therefore, we can no longer simply consider that all of the money put into rural circulation (to procure agricultural sideline products) is backed up by material goods, or that it can be absorbed, reloaned, and still be exchanged for a corresponding amount of material goods. At present, most of the money that was initially put into circulation has entered the market in various ways or become cash in the peasants' pockets. The kinds of material goods that can be exchanged for this money have changed from consumer goods and agricultural means of production to machinery, equipment, raw and processed materials, fuels, and local construction projects needed to expand rural industry. Thus, a rural monetary policy should be formulated that corresponds to the growing trend toward rural industrialization, the new characteristics of money circulation, and the changes in the kinds of material goods that back it up.

3. Since the Rural Economy Has Become More Commercialized and Money Oriented, the Money Supply Has Become Less Elastic and More Sensitive to Changes in the Rural Monetary Policy: An appropriate money supply is a major condition for maintaining basic price stability and coordinated economic growth. It is not a fixed amount, but rather a quantitative medium. As long as the changes in this medium do not exceed certain limits, they will not pose a threat to general price levels and the money supply will be elastic. The elasticity of the money supply is quite different in different economic systems and under different levels of economic development. The more commercialized and money oriented the economy, the less elastic the money supply, and vice versa. In the past few years, the rural economy's non-agricultural sector (such as rural industry, commerce, communications and transportation, and catering and service trades) has grown quickly, traditional agriculture has been relegated to a secondary position, and great changes have occurred in the rural money supply. The rural money supply has become less seasonal and faster circulating and the peasant family's income and expenses have become more commodity- and cash-oriented and more closely dependent on the various markets. This has caused most of the money put into circulation in the rural areas to be withdrawn from circulation via urban commodity sales and services. Since the rural economy has become more commercialized and money oriented, most savings deposits have been withdrawn and put into production and circulation. Thus, reactions to changes in the money supply have become more sensitive, and loosening or tightening of credit by banks and credit agencies is quickly reflected in production and circulation. Therefore, it is extremely important to maintain the continuity of the rural monetary policy and prevent large increases or decreases in the money supply.

4. Since Uneven Economic Growth Causes Uneven Distribution of Money, Rural Monetary Policy Should Be Determined by the Particular Conditions of Different

Areas: The duality of the rural economy is shown especially clearly by its regional distribution. Since money can be used less efficiently in poor areas, much of it has begun to circulate toward developed areas with high interest rates and good economic results. This has increased money supply in these areas. Continued use of a stereotyped monetary policy would increase, not reduce, the unevenness of economic growth between various areas. The major issue that poor areas are now facing is how to develop commodity economies, and rural monetary policy should serve this need. Emphasis should be placed on granting long-term credit, supporting infrastructure construction on farmland, popularizing advanced science and technology, and improving the ecology. Moreover, money should be used as a medium to promote coordination with developed regions in areas, such as production, management, goods and materials, technology, and personnel. A stable monetary policy and money supply should be used in developed areas to maintain a good objective economic environment and spur enterprises to upgrade their technology and equipment and improve their product quality and economic results. A too fast rate of growth should not be pursued unrealistically.

12267/7310

Yunnan Peasant Income

40060115a Kunming YUNNNAN RIBAO in Chinese
31 Oct 87 p 1

[Excerpt] From January to September 1987, the per capita cash income of peasants in Yunnan Province was 232.27 yuan (excluding income from savings and loans), an increase of 44.54 yuan over the same period in 1986, or 23.72 percent.

Reasons for Declining Profitability of Fujian Sugar Production

40060069 Beijing NONGYE JISHU JINGJI [JOURNAL OF AGROTECHNICAL ECONOMICS] in Chinese No 5, 1987 pp 20-22

[Article by Hu Dunan [5170 3256 0589] and Chen Jinhua [7115 6930 5478], Government Research Institute of the Fujian Provincial Party Committee: "Reasons for the Sharp Decline in Economic Returns from Cane Sugar in Fujian, and Countermeasures"]

[Text] Fujian has traditionally been a key sugar-producing province in China. The province's average industrial unit output of sugarcane is 4.7 tons, 46 percent higher than the national average of 3.23 tons. The sucrose content of Fujian's sugarcane is second only to that of Yunnan, placing it in the vanguard for the country. Each mu of cane is able to produce 600 kilograms of sugar, with an average of 1.7 mu producing 1 ton of sugar, making it first in the country.

Cane sugar production is one of the major trump cards in Fujian's economy. For the 1985 to 1986 pressing season, gross output value of cane sugar was 918.63 million yuan, accounting for 3.9 percent of the province's gross industrial and agricultural output value. Each year this sector is able to provide 150 million yuan in income to the financial departments, accounting for about 9 percent of the province's total financial income. In the last 30 years, sugar refining has provided 2,125,000,000 yuan in taxes and profits toward financial accumulation, which is four times the industry's total investments of 531 million yuan in fixed assets. The sugar industry has thus become an important mainstay of the province's economy.

However, in recent years various factors have led to a downturn in the economic returns from sugar production in Fujian. Income per mu of cane dropped from 270 yuan in 1980 to 160 yuan in 1985; profits per 10,000 tons of cane dropped from 208,500 yuan in 1980 to 130,200 yuan in 1985; annual accumulation provided by sugar refining to the financial departments also dropped sharply, from 160 million yuan in 1980 to 27 million yuan in 1985. This continuing decline in the returns from sugar production has caused several crises in the industry.

I. Causes of the Decline in Economic Returns from Sugar Production

A. Irregular Sugar Price System Leading to Declining Returns

In the area of production, prices for the agricultural means of production have risen steadily in recent years; production costs per mu of cane have risen from 104.62 yuan in 1980 to 245.55 yuan in 1985, a 134.7 percent increase. However, planned prices are still used for the purchase of sugarcane, and the actual price paid has not risen but rather dropped by 5 yuan, or 5 percent, so that profits from 1 mu planted in cane have declined by about 100 yuan. In the area of sugar refining, since 1980 the raw materials, fuels, and supplemental materials required by the industry have also undergone several price hikes, with production costs per ton of white granulated sugar rising from 520.1 yuan in 1980 to 922.5 yuan in 1985, a 77.4 percent increase, while the ex works price of sugar has been frozen at the level of 20 years ago, at 1,050 yuan per ton. This sharp deviation between price and value have led to an imbalance in the sector's input and output and greatly reduced economic returns from sugar refining.

B. Slow Specialization, Mechanization, and Regionalization in Cane Production

Organizing production according to the requirements of specialization, intensification, and regionalization is a necessary trend in modern agricultural development and an important way to improve the economic returns of agriculture. Around the world, sugar production in the

developed countries is deployed according to the requirements of specialization and regionalization. Australia has 300,000 hectares planted in cane, with 80 percent of this area concentrated north of Mackay in Queensland, on the Townsville coastal plain. The 300,000 hectares of cane fields are cultivated by 7,500 sugarcane plantations. France has 550,000 hectares of beets concentrated around 60 refineries spreading in a fan formation to the north of Paris. In the United States, Hawaii's 29 sugar refineries are integrated with 26 sugarcane plantations, with an average of 50,000 mu of cultivated land per plantation. Because of the large areas concentrated in adjoining plantings, sugar production in these countries is quite highly specialized and regionalized, so that sugarcane field mechanization can be spread, raising production efficiency. The tangential benefits of this are also considerable, and the benefits of scale are outstanding. Fujian's sugarcane production, however, is restricted by geographic and demographic conditions, the land management system, and other factors. Each household of sugarcane farmers has an average of only 2 to 4 mu and works only 1.5 to 2 mu; moreover, many of the plots worked belong to one production unit but are located elsewhere, with plantings of sugarcane scattered here and there. Production therefore remains shackled by backward manual labor involving human and draft animal power, with the development of specialized and regionalized production virtually not progressing.

C. Unit Production Stagnant, Sucrose Content Declining

In 1980 average unit production in Fujian was 5.42 tons; in 1985, it was 5.37 tons. The sucrose content of sugarcane is on the decline: 14.44 percent in 1972, and 12.97 percent in 1986. Due to this factor alone, 212,000 tons of cane sugar was lost in the 1985 to 1986 pressing season alone, causing a reduction of 19,711,100 yuan in profits and taxes.

D. Cane Planting, Cutting, Transport, and Pressing Uncoordinated, Causing Transport Losses and Sharp Losses in Sucrose Content

According to chemical tests at refineries, allowing sugarcane to sit for 3 days causes a 0.3 percent decline in sucrose content; after 6 or more days, the loss is about 1 percent. Since implementation of the contract system in agricultural production, sugarcane production has tended to become smaller in scale and more scattered; since cutting and transport are performed by thousands of different households, and no system of socialized services has not been established for cane production, cutting, transport, and pressing are uncoordinated. Cut cane often has to be stacked for 2 to 5 days, and in some cases more than 10 days, affecting freshness and causing a major loss in sucrose content, with ever-increasing losses during processing. During the 1980 to 1981 pressing season, average losses during processing in the province were 0.82 percent; during the 1985 to 1986 season,

this rose to 1.51 percent, a 0.69 percent increase. Due to this factor alone, approximately 32,000 tons of sugarcane was lost, costing 2,566,800 yuan.

E. Poor Refinery Distribution, Inadequate Cane Sources for Some Refineries

According to the theory of regional sugarcane distribution, refineries should be located in the heart of the cane region, with sugarcane planted within a 20-kilometer radius, in order to achieve optimum economic benefits. The new refineries built in recent years, however, have not followed this principle of distribution; some large- and medium-scale refineries are too close to one another. The supply of cane for pressing is inadequate, causing large, medium, and small refineries to compete for

sources. After going into production, some refineries were in operation for far too short a time, in some cases just over 60 days, with equipment utilization reaching only about 50 percent. Furthermore, some refineries are too far from one another, extending transport distances. Some cane-growing areas are 70 kilometers from a refinery, which increases not only transport costs but also losses during transport.

F. Poor Choice of Enterprise Scale Limits Benefits of Refineries

Large, medium, and small sugar-refining enterprises yield different economic benefits. We compared the economic returns of refineries of different sizes, as shown in the table below:

Comparison of Returns of Different-Sized Enterprises in the 1985-1986 Pressing Season

Enterprise Size	Total cane pressed (10,000 tons)	Total recovery rate (%)	Equivalent coal consumption (%)	Tax and profit rate on output value (%)	Productivity, all personnel (yuan per man-year)	Profit per 10,000 tons of cane (10,000 yuan)
Large	283.4	86.11	6.31	33.23	16537	14.23
Medium	129.02	82.79	7.59	31.93	13773	10.15
Small	19.93	81.96	8.09	30.99	11111	9.31

As this comparison shows, the technical and economic indicators for large refineries are consistently higher than those for medium-size refineries, and higher for medium-sized refineries than for small ones. In terms of the structure of enterprise scale province-wide, of the 48 sugar-refining enterprises in Fujian, only 23 percent are large, while medium and small enterprises account for an excessively large proportion of the total. This structure has weakened the advantages that occur when enterprises group together, and has reduced the benefits of scale for the sugar-refining industry.

G. Aging Refinery Equipment, Backward Management, and Decline in Key Technical and Economic Indicators Such as Overall Recovery Rate

Technological renewal and upgrading in the province's sugar-refining enterprises are proceeding slowly; due to their aging equipment, backward processes, poor management, and low staff and worker quality, the refineries' overall recovery rate and other technical and economic indicators are tending to decline. In the 1972 to 1973 pressing season, the province's refineries had an average recovery rate of 89.37 percent; in the 1985 to 1986 season, this fell to 84.95 percent. This alone caused a drop in sugar production in the latter season of approximately 5,400 tons and a reduction in profits and taxes of 4,992,000 yuan.

II. Countermeasures to Improve Economic Returns from Sugar Production

How can this downward trend be reversed? We believe that the following countermeasures should be adopted:

A. Apply the Law of Value to Even Out Sugar Prices

In order to improve the economic returns from sugar production, the present situation of severe deviations in sugar prices must be completely changed and a workable pricing policy for sugar products must be formulated. We propose proceeding in two steps: first, adjust the price of white granulated sugar; second, progressively decontrol the sugar market and allow highly flexible sugar market prices to regulate supply and demand, so as to fundamentally reconcile price and value.

B. Develop Specialized Households and Integration in Cane Production, Increase Specialization and Regionalization

According to statistics from the Xiamen, Zhangzhou, Jianyang, and Huian refineries, in 1986 there were 232 specialized households planting more than 20 mu of cane. These specialized households generally had unit yields in excess of 6 tons, 10 percent higher than the average unit yields in those areas. In economically developed areas where the arable land is suitable for concentrated planting, positive measures should be taken to support specialized cane-producing households, and economies of scale should replace small-production economies so as to reap the benefits of scale. Given the province's geographic conditions, demographic characteristics, and agricultural production levels, the proper operating scale for cane fields is 15 to 20 mu per worker.

C. Develop Three-Dimensional and Ecological Agriculture and Increase Intensification

Xianyou and other cane-growing regions make use of biological symbiosis and commensalism to structure the food chain, promoting an ecological agriculture of the

sugarcane-dairy cattle-mushrooms-comprehensive processing model, increasing the economic returns per mu two- or threefold over planting sugarcane alone. With three-dimensional agriculture of the sugarcane-vegetables-mushrooms-fish model, output value per mu of land is more than 4,000 yuan, a sevenfold increase over planting sugarcane alone. Therefore, economically undeveloped areas with dense population and abundant labor should focus their efforts to improve economic returns from sugarcane fields on establishing three-dimensional and ecological agriculture to increase the intensification of cane-field agriculture.

D. Strengthen Construction of Cane Fields on Dry and Hilly Land, Disseminate Improved Varieties and New Technologies, Strive to Raise Unit Yields and Sucrose Content

The province has a large area of cane plantations on hilly and dry land, accounting for about 60 percent of the total cane area; yields per mu are only 3 to 4 tons on much of this land, leaving great potential for increasing production. In order to achieve high yields and high sucrose content, the following three measures should be adopted: 1) Increase investment in the construction of agricultural fields, build water conservancy works, improve irrigation conditions, and expand the irrigated area. 2) Accelerate the propagation and dissemination of newly selected high-yield, high-sucrose varieties of sugarcane and achieve a third-generation renewal of sugarcane varieties throughout the province as quickly as possible, so that the area planted in improved varieties reaches over 80 percent. 3) Promote the dissemination of new technologies to increase cane yields.

E. Solve Cane Cutting, Transport, and Marketing Problems and Reduce Transport Losses

1) Organize the now scattered sugarcane cutting and transport service companies which cut, transport, and market sugarcane for growers. 2) Strengthen the lateral integration of sugar refineries and townships (towns) and villages, with townships and villages in charge of guiding cutting and transport to ensure that the proper quality and quantity of sugarcane is supplied on time. 3) Encourage refineries to develop lateral integration with supply and marketing cooperatives to make use of the latter's channels and networks and assist in cutting and transport. Reduce losses of sugarcane during transport to the minimum.

F. Rationally Reorganize the Distribution of Sugar Production, with Refineries as Hubs

First, the layout of cane plantations should be adjusted. Cane planting should have refineries as hubs, making every effort to stay within a 20-kilometer radius to shorten the transport distance, reduce costs, and lower losses in cane quality and sucrose content. Second, steps should be taken to readjust the distribution of sugar refineries to fully exploit the benefits of scale of sugar-refining enterprises.

G. Accelerate the Pace of Technological Reform, Improve Enterprise Management, Exploit Internal Enterprise Potential

Accelerate the pace of technological reform in older sugar refineries. Develop new equipment and new processes, and reduce all forms of consumption; establish management systems with profit targets within the enterprises; complete the system of rewards and penalties; establish and perfect microeconomic operating mechanisms; improve enterprise management; increase income and reduce expenditure; exploit potential; and take the path of profit-oriented development.

H. Develop Comprehensive Sugar Utilization and Diversification

The province annually produces large quantities of stalk tips which could be processed into green fodder and used to develop stock-raising. The province produces 130,000 tons of molasses annually, only 62,000 tons, or about 50 percent, of which is now used to produce ethyl alcohol and nucleic acid yeast; the remainder is sold off as raw material. We believe that every effort should be made to utilize this molasses, processing it into ethyl alcohol, nucleic acid yeast, sucrose, citric acid, monosodium glutamate, alcoholic beverages, and other products, and avoid sending the raw material out. The province annually produces 1.12 million tons of bagasse, with a great potential for comprehensive utilization. Currently filter residue remains unused. We should use this to produce compound fertilizers and cement. At the same time, advantages in skilled personnel, technology, equipment, plant buildings, and labor should be exploited in order to diversify into sugar refining, machine manufacturing, repair, equipment installation, and technical services. By broadening channels of comprehensive utilization and diversification, the decline in the economic benefits of sugar production can be completely turned around.

13322

Jiangsu Harvest

40060115d Nanjing XINHUA RIBAO in Chinese
11 Dec 87 p 1

[Excerpts] Estimated gross output of grain in Jiangsu Province for 1987 is 32,380,000 tons, a 3 percent decrease from 1986. The major reason for the decrease is a decline in per mu yield, the per mu yield of summer grain decreased 7 kilograms and the per mu yield of autumn grain decreased 12 kilograms. Estimated gross output of cotton is 409,000 tons, an increase of 7,900 tons over 1986, the area sown to cotton was 8,188,400 mu, an increase of 738,100 mu over 1986, or 9.9 percent, but per mu yield decreased 4 kilograms. Estimated gross output of rape is 1,200,000 tons, an increase of 33,400 tons over 1986, or 2.9 percent. Major reasons for the decline in crop output this year are natural disasters,

poor supplies and price increases for fertilizer, pesticides and other production material and farm costs have risen, dampening peasant enthusiasm to invest in production.

Liaoning Harvest

40060115e Shenyang LIAONING RIBAO in Chinese
17 Dec 87 p 1

[Excerpts] In 1987, the gross output of grain and soybeans in Liaoning Province was 12,500,000 tons, an increase of 300,000 tons over 1986. The gross output of fruit was 1,100,000 tons, and the gross output of vegetables was 1.6 billion kilograms. The gross output of flue-cured tobacco was 15,000 tons, a 44 percent increase over 1986, and the gross output of sugar crops was 300,000 tons, a 37.4 percent increase over 1986.

Shandong Grain Prices

40060115c Beijing JINGJI CANKAO in Chinese 30 Nov 87 p 2

[Text] The Shandong Provincial Price Bureau and Grain Bureau have decided the procurement price for contract grain in 1988. The average price for 50 kilograms of wheat will increase from 22.63 yuan now to 24.13 yuan. The price for every 50 kilograms of wheat in the 11 counties (cities) bordering Hebei will increase from

22.90 yuan to 24.40 yuan; the price for every 50 kilograms in other counties, cities and prefectures will increase from 22.60 yuan to 24.10 yuan. The price for 50 kilograms of rapeseeds will increase from 46.80 yuan to 50.40 yuan and 50 kilograms of rape oil will increase from 137.80 yuan to 148.40 yuan.

Yunnan World Bank Loans

40060115b Kunming YUNNAN JINGJI BAO in Chinese 20 Nov 87 p 4

[Excerpt] The State Planning Commission, the Ministry of Finance, and the Agricultural Bank of China have decided to provide \$50 million in World Bank loans to Yunnan Province for the development of rubber, coffee, tea, fruit, silkworms, fish and pig production and processing.

Yunnan Vegetable Transfers

40060124a Kunming YUNNAN RIBAO in Chinese
13 Dec 87 p 1

[Excerpts] As of the middle of December, 30 vegetable-producing counties in Yunnan Province had signed contracts with 90 northern cities to ship 119 million kilograms of produce, an increase of more than 30 million kilograms over 1986. At present, the area sown to vegetables for transfer in Yunnan is 270,000 mu.

Two New PC-Based Military Communications Systems

Network Developed for Group Army

40050092a Beijing JISUANJI SHIJIE (CHINA COMPUTERWORLD) in Chinese 8 Dec 87 p 12

[Excerpts] Education and Research Office 703 of the National Defense Science and Technology University has successfully developed an automated field command network for a certain group army. The system has an independent remote workstation communications subsystem, known as "Comm." It performs real-time interrupts of an individual user's PC/XT operating system, and can not only independently form a remote communications network, but can also become an automated wide-area network which combines remote communications with a local area network.

Comm software is completely written using Intel 8088 assembly language. Its main features are: 1) file transmission and reception; 2) keyboard dialogue and priority message transmission; 3) access to remote files and directories; 4) user programming and menu selection interfaces; 5) file breakpoint continuation; and 6) text editing functions. All features support Chinese characters. If communication is interrupted, the program automatically retains the interrupt point and continues from there when transmission resumes.

Secure Communications System

40050092b Beijing JISUANJI SHIJIE (CHINA COMPUTERWORLD) in Chinese 6 Jan 88 p 28

[Excerpts] Institute 631 of the Ministry of Aviation Industry has developed the MRCS microcomputer remote communications system which was recently certified in Nanchang by the ministry.

The MRCS system is a breakthrough which draws from advanced technologies. It is highly resistant to jamming and offers high serviceability and reliability. It is menu-driven and operates with Chinese characters, and includes encryption devices for secure communications.

MRCS uses an IBM-PC/XT (or clone), a modem, HKBTX communications software, HKBJM encryption/decryption software, and either public or dedicated telephone lines to form a point-to-point communications system. In order to deal with the rather high bit error rates in domestic telephone networks, the HKBTX communications software has program modules for message formatting, text segmentation and merging, breakpoint continuation, synchronization recovery, and automatic cancellation after system failure, making it able to maintain normal communications when interference is heavy.

The HKBJM encryption software primarily uses block code algorithms and multiple crypto keys, so that a code set is inseparable from the entire message text. Encryption/decryption rates are about 500 bits per second.

This system can enable a PC to act as a Chinese character emulator for all computers in the VAX series and can be used in an ARCNET LAN. It is transparent to the files being transmitted, which can be Chinese, ASCII, graphics, or binary.

EAST REGION

Serious Bureaucratism Criticized

40050064 Shanghai JIEFANG RIBAO in Chinese
18 Nov 87 p 2

[Article by Zhong Hua [6850 5478]: "Some More on 'Leadership Responsibility'"]

[Excerpt] Between high and low, left and right, people are protective of each other out of considerations of personal relationships and cover up responsibilities for misdeeds. In some extremely serious accidents or cases, it is very obvious right at the start where responsibility lies, but because someone will be shielding someone or interceding for him out of personal considerations, "responsibility" will often be turned into "non-responsibility." For instance, in cases where heavy losses of several hundred thousands, even over a million yuan, have been suffered by the state, the reason that "his motives have been good" or "he did not embezzle anything or otherwise line his own pockets" is given to protect the culprit. In cases where dereliction of duties or extreme irresponsibility in the performance of tasks had been the obvious cause of large conflagrations, traffic disasters, or injuries at the workplace, the culprit is resolved from blame for reasons of "lacking work experience." Cases have occurred where explosions and other destructive accidents were obviously caused by chaotic ways of management or by disregard for existing rules and regulations, and where the culprits were protected for such extraneous reasons as "the equipment was obsolete" or "the factory buildings was crude and inadequate," so that in the end large occurrences were reduced to small ones, smaller occurrences were reduced to insignificance, and matters were settled by doing nothing about them. It is against these "protective shields," against the few who lack a high sense of responsibility toward the affairs of the state and the people, and against those who are always in fear of "hurting someone's feelings," that we must raise our voices loud and let them know: Practicing bureaucratism by favoritism and shielding people for personal reasons, as well as covering up for those who are guilty of dereliction of duties, are such acts not typical cases of the kind of bureaucratism where bureaucrat shields bureaucrat?

Another residue of antiquated concepts is the idea that a cadre who is 1) not corrupt, 2) not morally degenerate, 3) not misusing his powers of office for private gain, may as well commit some bureaucratic mistakes, and should not be lightly removed from office. Actually the harm that serious bureaucratic mistakes engender can at times and in total consequences be more serious than the harm caused by ten or eight corrupt people. Should it in such cases not be necessary to impose legal and disciplinary penalties? Cadres who have committed malfeasances in office should not only be disciplined according to party and government regulations, but should also be called to account according to law. According to statistics of the procuratorate of this city alone, losses resulting from

dereliction of duties and serious malfeasance in office during the last 2 years amounted to 75.3 million yuan, caused the death of 327 persons, and the poisoning of 690 people. This indicates the seriousness of the damage done, and cases of this nature, furthermore, are still on the increase. There is an old saying: "If there are not enough rewards to induce good deeds, and not enough punishments to stop misdeeds, achievements will not be accomplished." For many years, we did not punish, punished lightly, dealt tolerantly, were overlenient in cases of bureaucratism, and showed an excessive soft-heartedness. Precisely this attitude is the reason why our long-term remedies did not cure bureaucratism, and why it even increased in certain units despite our remedies. This condition cannot be allowed to continue; we must rather update old concepts and actively rectify past partiality toward lenient enforcement of discipline and laxity in discipline, so that every single cadre will truly shoulder due leadership responsibility toward the people, and thereby promote continuous advances in our undertakings.

9808

Beijing Advisory Commission Work Report
SK060225 Beijing BEIJING RIBAO in Chinese
22 Dec 87 pp 1, 4

[Work report submitted by the municipal Advisory Commission to the sixth municipal party congress on 13 December]

[Excerpts] Here is a report on the work of the Beijing Municipal Advisory Commission over the past 5 years for discussion at the current session.

The municipal Advisory Commission was established at the fifth Beijing Municipal party congress in November 1982, with 39 members.

The municipal Advisory Commission underwent a partial organizational readjustment at the eighth enlarged plenary session of the fifth Beijing Municipal party congress in August 1986. Because 2 comrades had died, 1 comrade had resigned, and 20 comrades had reached the retirement age stipulated by the Organization Department of the party Central Committee, 23 new members were elected to the municipal Advisory Commission through by-elections.

Another comrade died not long ago. Now there are 38 members.

I.

The party Constitution adopted at the 12th party congress stipulates: "The party's Advisory Commissions of provinces, autonomous regions, and municipalities are the political assistants and advisers to the party committees at their corresponding levels"; and "they must proceed in their work under the guidance of the party

committees at their corresponding levels." In line with the stipulations in the party Constitution, the work tasks of the municipal Advisory Commission are to offer suggestions for the formulation and implementation of the principles and policies of the municipal party committee; to give consulting services to the municipal party committee; to help the municipal party committee investigate and handle certain important problems; to publicize the party's major principles and policies inside and outside the party; and to undertake other tasks entrusted to it by the municipal party committee.

During the past 5 years, under the correct guidance of the party committee, the municipal Advisory Commission offered suggestions for formulating and implementing the principles and policies of the municipal party committee in line with the stipulations defined in the party Constitution, helped the municipal party committee investigate and handle some major problems, undertook other tasks entrusted to it by the municipal party committee, and conducted investigations and study in line with the stipulations defined in the work principle of the Advisory Commission on gearing the work to the needs of the grassroots units. All commission members made concerted efforts in this regard.

1. During the past 5 years, we offered suggestions for implementing principles and policies. In line with the principle of adhering to the four cardinal principles and persisting in reform, opening up, and economic invigoration, we gave our opinions on major policies, which were mainly manifested in three ways: First, we directly participated in discussions on some major policies of the municipal party committee through encouraging all members of the municipal Advisory Commission to attend the enlarged plenary session of the municipal party committee and encouraged the chairman and vice chairmen of the municipal Advisory Commission to attend the Standing Committee of the municipal party committee as observers. Second we irregularly organized the people to study and discuss the principles and policy issues of the party Central Committee and the work plans of the municipal party committee and set forth opinions and suggestions. Third, we invited responsible persons of the relevant departments to introduce the situation in municipal economic construction, reform, opening up, and economic invigoration and offered suggestions on the existing problems. [passage omitted]

2. During the past 5 years, we undertook the work entrusted by the municipal party committee and by the units to which we belong. After retreating to the second line, all comrades have conscientiously and responsibly completed the work entrusted by the municipal party committee and their own units, displayed their remaining enthusiasm, and continued to contribute to the party's cause. The work undertaken by the members of the municipal Advisory Commission was primarily concentrated on helping leaders to grasp the following work well: helping them to conduct rural reform and construction; develop collective and individual economy in cities

and towns; organize major festive activities and gatherings in the capital; develop friendly ties with foreign countries; plant trees in the capital, investigate and study the municipality's administrative divisions; conduct end-of-term elections of district, county, and township deputies in 1987; and investigate and study work entrusted to them by the relevant central departments. Many commission members participated in editing and writing some major documents, such as "Contemporary Beijing in China" and "Major Events on the Work of Beijing Municipality Since Liberation."

In addition, after retreating to the second line, the commission members have still shown concern for and supported the work of their former units and have done much during the process of replacing old cadres with new ones and in handling some leftover work and building the new leading bodies.

3. We helped the municipal party committee and government to investigate and handle some important problems in the past 5 years. For example, we helped the municipal party committee carry out party rectification and verify and investigate the "three types of persons," helped the municipal government carry out the work of sending rehabilitated persons back to their work posts and issuing payments to them retroactively, and investigated and studied housing problems.

4. We conducted investigations and study in the past 5 years. The investigations and study of the municipal Advisory Commission were conducted by "going out" and "inviting in." "Going out" meant that we visited and inspected plants, rural areas, and scientific research units to assess the situation and went to other provinces and municipalities to learn from the advanced experiences in the Advisory Commission's work and the economic structural reform. [passage omitted] "Inviting in" meant that we invited relevant quarters or departments to introduce their situations. We invited responsible persons of the relevant departments of the municipal party committee and government to introduce our municipality's party rectification, educational structural reform, scientific and technological structural reform, foreign affairs work, development of the food processing industry, economic structural reform, and planning work. We also held forums to offer some opinions and suggestions.

Investigations and study broadened our outlook and thought process and enriched our knowledge, thus enabling us to use our experiences from decades of revolutionary work to serve as good assistants and advisers to the current reform, opening up, and economic invigoration.

5. In the past 5 years, we participated in social activities with a view to the grassroots, thus promoting the two civilizations of the capital. In line with the principle of acting according to one's capacity, the members participated in social activities that were compatible with their

specialities and interest. Some of them joined mass organizations to carry out their work and assume leading posts, thus playing a positive role in the healthy and smooth performance of the work of these organizations. [passage omitted]

In addition, we carried out party rectification. Based on the demands of the party Central Committee's decision on party rectification and the arrangements of the municipal party committee, 34 members of the municipal Advisory Commission participated in the party rectification of the commission's temporary party branch. Focusing on the key issue of maintaining ideological and political unity with the party Central Committee, they fairly thoroughly eliminated the "leftist" influence; raised their awareness in implementing the line, principles, and policies adopted since the 3d Plenary Session of the 11th party Central Committee; thoroughly discussed the issue of completely negating the "Great Cultural Revolution"; conscientiously summarized the achievements of party rectification and the orientation of future work; and conducted party member registration.

Despite our efforts to carry out some work in the past 5 years, we lacked full consideration and adequate work in some areas. In our future work, we should pay attention to developing the initiative of every member and giving play to the collective role.

II.

Without experiences, the municipal Advisory Commission carried out its in an orderly manner by exploring the way forward. Five years of work has enabled us to understand that we should always pay attention to the following in order to make a success of the work of the municipal Advisory Commission.

1. We should take the initiative in setting to rights the position of the municipal Advisory Commission as the political assistant and adviser to the municipal party committee and carry out our work persistently under the leadership of the municipal party committee. [passage omitted]

Five years of experiences showed that the municipal party committee paid attention to the work of the municipal Advisory Commission and respected its comrades. The municipal party committee invited members of the municipal Advisory Commission to attend some of its important meetings and earnestly listened to their opinions. The municipal leaders welcomed the members' efforts to understand the situation in the work in various fields and their visits and inspections. On the other hand, the municipal Advisory Commission always made plans for and carried out its work under the unified leadership of the municipal party committee and in line with the work arrangements of the party Central Committee and the municipal party committee and asked for instructions from and made reports to the municipal party committee in a timely manner. We strictly abided

by the party Constitution and the "provisional regulations"; were careful to avoid interfering with the work of the municipal party committee; and trusted, respected, and supported its leadership. On this premise, the municipal Advisory Commission played its role as an assistant and adviser.

2. The work principle of "carrying out less work rather than too much work, dealing with principles or ideological guidelines rather than concrete matters relating to work, acting according to one's capacity, and doing one's best" is a realistic principle that is compatible with the situation of old comrades of the Advisory Commission.

During the long-standing practice of revolution and construction, members have gained both positive and negative experiences. Some of these experiences still have the certain value of reference and usage and most members are in good health and able to assume a certain amount of work. Judging from the practice conducted during the past few years, members and retired veteran comrades of the municipal Advisory Commission are able to play their role in the following three tasks as well as deal well with the relationship between the practice of "acting according to one's capability" and of "doing one's best": 1) They can take up the work of dealing with historical problems, such as redressing the mishandled or framed-up cases, examining or investigating the cases concerning the "three types of persons," and writing materials for the organizational history or the party's history, because these comrades have been clear about the historical problems and gained both positive and negative experiences. 2) In line with the experience they gained in the long-standing work of revolution, the comrades who have retreated from the forefront and taken up less concrete work will have plenty of time to think about some major and important issues which can be provided for reference to the municipal party committee and the municipal peoples government. 3) According to their personal strong point, these comrades can assume the work entrusted to them by the municipal party committee, the municipal People's Government, and by their original unit. Meanwhile, attention should be paid to the fact that these comrades have already neared or reached old age. Therefore, proceeding from these characteristics, it would be better to assign them less work rather than too much and assign them the work of dealing with principles or ideological guidelines rather than concrete matters relating to work. Henceforth, all-out efforts should be made to achieve better progress in the work.

3. We should earnestly organize members to study the policies and theories in order to upgrade our understanding and to act in ideological and political unity with the central authorities.

Over the past 5 years, the municipal Advisory Commission has earnestly organized its members to study the policies and theories. Members who have retreated to the second line will spend their time more actively. This means that they will have plenty of time to engage in

study. We can clearly see from practice that it is imperative for us to make best use of our time on study in order to have our ideology catch up with developments in the situation. The major part of the study are the important documents adopted by the central authorities and the municipal party committee since the 3d Plenary Session of the 11th CPC Central Committee and the important speeches and articles of the central leading comrades, as well as the relevant classical works of Marxism and Leninism, which must be taken as guiding materials. All contents are aimed at deeply understanding the one center and two basic points in the party's basic line of the initial stage of socialism. In selecting the methods of study, we should relay the documents, speeches, and articles in a timely manner and organize our members to read them and spend some time discussing or exchanging their opinions about them on the basis of conducting self-study. Meanwhile, we should also go deep into reality to learn from practice. By carrying out such study, we can reap an ample harvests and enjoy the following great advantages: 1) We can upgrade our understanding through study and meditation, which is favorable to having us act in ideological and political unity with the central authorities. 2) By reviewing our past practice and repeatedly measuring it with the basic theory of Marxism and Leninism, we can determine whether the practice is correct or not. 3) We can upgrade our capability of grasping the correct political direction for practices in the new historic period so as to offer suggestions on work to the municipal party committee.

4. Showing concern to the livelihood of members is also a task of the municipal Advisory Commission.

Members of the municipal Advisory Commission should set examples in livelihood in actively abiding by the "guiding principles"; however, it should be noted that these comrades have entered old age, show an increasing decline in their physical fitness and capability for activity, and should receive much care with regard to their livelihood. In the 5 year since its founding, the municipal Advisory Commission has vigorously done a good job in showing concern for the livelihood of members and veteran comrades who have retired from the commission.

In receiving care for their livelihood, our members are cared for primarily by their original units. As far as we know, their original units have done a great deal of work for them in politics and with regard to their livelihood.

Quan Shuren Report to Liaoning Provincial CPC Plenum

SK140214 Shenyang LIAONING RIBAO in Chinese
22 Dec 87 pp 1, 2

["Excerpts" of report of Quan Shuren, secretary of the Liaoning Provincial CPC Committee, delivered at the fifth (enlarged) plenary session of the fourth provincial party committee on 20 December: "Continue To Push Forward Our Province's Reform and Opening Up and Unite Thinking and Action With the Guidelines of the 13th National CPC Congress"]

[Text] The tasks of this (enlarged) plenary session are to continue to deeply study the documents adopted at the 13th CPC Congress, to examine and sum up the work done in 1987 in line with the guidelines of the 13th CPC Congress, and to study and define the work tasks for next year.

The Situation of 1987

The political situation characterized by unity and stability has been consolidated and developed, the pace of reform in various fields has been accelerated, and a sustained and steady increase in the national economy has been ensured over the past year thanks to the efforts of the party organizations at various levels throughout the province to carry out the education on the basic line of the party with the major contents of persisting in a key link and two basic points as defined by the central authorities at the beginning of this year and to deeply launch the campaign, 91 8, 43-8, 049\$7:589,, practicing economy, increasing revenues, and reducing expenditures. These are the major characteristics of the province's situation in 1987.

Since the beginning of this year, party organizations at various levels have paid much attention to conducting the education on the two basic points of adhering to the four cardinal principles and persistently conducting reform and opening the country to the outside world. At the beginning of this year, party organizations at various levels had a clear-cut stand of waging the struggle against bourgeois liberalization in line with the scale, priorities, principles, and policies defined by the central authorities. The vast number of party members and cadres were organized to conscientiously study the relevant documents of the central authorities and Comrade Deng Xiaoping's important works written since the 3d plenary session of the 11th party Central Committee. Party committees at or above the county level reviewed their work in line with actual conditions. On the basis of suppressing campus unrests, the party committees at various levels have generally strengthened ideological and political work. Papers and periodicals have been consolidated. All wrong words that had an impact on the province were criticized in a well-guided and step-by-step manner. Education on setting positive examples relating to the adherence to the four cardinal principles has been carried out among party and government organs and urban enterprises and institutions. In line with the NPC's decision on strengthening the education on the legal system to promote unity and stability, people's congress and governments at various levels throughout the province further conducted the education on popularizing the general knowledge on law. Thus, cadres and the masses have further enhanced their understanding of the legal system. All democratic parties and mass organizations played a positive role in conducting the education on setting positive examples of adhering to the four cardinal principles. Some personages of democratic parties have made notable results in disseminating the superiority of the socialist system in

line with their personal experiences. In line with the practical problems that the masses are concerned about, the "hot spots" that everybody is talking about, and the people's doubts, all localities have vividly and convincingly adopted various methods to conduct the education, such as direct dialogues with leading cadres, theoretical workers, and practical workers, lectures on special subjects, and rotational group trainings. As a result, the vast number of party members, cadres, and the masses have further deepened their understanding of the dialectical relationship between the two basic points of the line adopted at the 3d plenary session of the 11th party Central Committee; have further defined that in the initial stage of socialism, they should not only ceaselessly eliminate the influence of the ossified ideas due to dogmatism but also pay attention to eliminating the influence of bourgeois liberalization; and have persisted in the principle of seeking truth from facts to oppose "leftism" and rightism if they exist in the course of implementing the party's basic line.

Priority must always be given to reform. In the process of deepening reform and promoting the development of opening the country to the outside world, party and government leaders at various levels throughout the province have constantly regarded it as a key link strengthening ideological education, eliminating "leftist and outdated" ideas, and fostering the idea of commodity economy. In line with some practical problems concerning the slow progress in the implementation of the contract operation system among some enterprises, the provincial party committee and the provincial government have set forth three requirements for solving ideological problems. First, get rid of the negative thinking of waiting for a relaxed environment. Second, enterprise leaders should change their status from state "officials" to enterprise managers. Third, clearly understand the potential of enterprises and eliminate the state of fearing difficulties. In order to create favorable external conditions for deepening enterprise reform, the provincial party committee and the provincial government made a decision at the beginning of this year on delegating to the lower levels the rights of management of investment in fixed assets and the rights of goods and material management; and further perfected the financial system of "each eating from his own stove." Cities have been delegated management powers of most enterprises owned by the province. Some of the provincial-level administrative companies have been abolished, some have been amalgamated with others, and some have been switched to companies of other types.

The campaign to increase production, practice economy, increase revenues, and reduce expenditures has been carried out extensively throughout the province. In line with the instructions of the central authorities, party committees and governments at various levels have placed the campaign, with the focus on deepening reform, tapping potential, checking waste, upgrading the levels, and improving economic results, on an important place of their schedule. Leading cadres at various levels

have persistently gone to the reality of life to conduct investigations and study, paid attention to typical examples to summarize their experiences, and solved the problems in their work in a timely manner. Mass organizations, such as trade unions, the CYL, and women's federations, have mobilized the masses to launch the socialist labor emulation drive, and the activities of offering suggestions to rationalize production, technical renovation, and technological cooperation, focusing on improving economic results. The province has achieved fairly good results in the campaign.

Party building has been strengthened in the process of reform and opening up. Proceeding from the needs in conforming with the situation in reform, party organizations at all levels throughout the province have emphasized the efforts to improve the ideological education, organizational building, and workstyle of the party, thus ensuring the implementation of the party's basic line.

First, party organizations at various levels have enhanced their understanding of the importance of party building in the new period. They have followed the ideology guiding party building in the new period and, after summarizing the party rectification work, have intensified the education on strengthening party building on a regular basis.

Second, the work to straighten out party style has been continued, and province-wide struggle against power abuse for selfish gains and bureaucracy has been waged. After the State Council issued the "decision on handling the catastrophic Daxinganling forest fire," the provincial party committee has held rallies of responsible comrades of leading party groups and party committees of the provincial organs, and cadres at and above the section level to mobilize efforts to oppose bureaucracy. Under the direct leadership of the provincial party committee and the provincial Discipline Inspection Commission, special forces have been organized to conduct investigations, and four typical serious cases of bureaucracy have been publicly handled. The first was the case of the "two Chens," in which some former leading cadres of Gaixian County shielded their children who had committed crimes. The second was a case of power abuse, in which Li Shuchang, former secretary of the Bayuquan District Party Committee, arranged jobs for and placed in important posts his children, relatives, and friends. The third was the case of Cheng Guide, director and party committee secretary of the provincial Construction Engineering Bureau, who caused serious losses due to work irresponsibility. The fourth was a case in which the Comprehensive Water Resources Management and Development Company under the provincial Water Resources and Electricity Department was deceived in buying ships. The various cities have organized their office cadres and staff and workers to conduct large-scale discussions on these four typical cases as well as the manifestations of bureaucracy in their own localities, thus enhancing the awareness in struggling against bureaucracy, and power abuse for selfish gains. To date,

the province has investigated 137 serious cases of bureaucracy. Through this struggle, the party's workstyle has been further improved, a number of major and appalling cases have been unearthed, investigated, and dealt with, and unhealthy trends, such as unprincipled connections to protect malpractices and interceding for others, have been checked.

Third, leading bodies at various levels have been strengthened, and reforms of the party's organizational and cadre systems have been started. The provincial party committee has invited some 100 veteran cadres to examine the leading bodies of various cities, thus providing organizational guarantee for elections of the next leading bodies, and for strengthening the work of the people's congresses, governments, and CPPCC committees. In view of the problem of improper selection of personnel for certain jobs arising in the struggle against bureaucracy, the provincial party committee and the party committees of various cities have begun to reform the cadre employment system at some units according to the principle of open selection of the best on the basis of democracy, equality, and competition. They have tried out recruitment by advertisement and examination, and election and exchange of cadres in an effort to improve the contingent of cadres through competition. Many localities and units have also made decisions on strengthening inner-party supervision, established and improved the systems of democratic life, democratic evaluation of leading bodies and leading cadres, and consultations between leading cadres and the masses, and between leading cadres and democratic parties, strengthened supervision over leading persons of party organizations, and facilitated democratic and scientific policy-making.

Thanks to the concerted efforts of the vast number of party members and people of various nationalities throughout the province over the past year, the excellent situation of the province has developed further. The national economy has grown in a sustained and stable manner. The annual industrial and agricultural output value is expected to reach 97.5 billion yuan, an increase of more than 10 percent over last year. Local revenues are expected to rise by approximately 6 percent over last year. Industrial production has grown stably, and economic results have improved. In agriculture, we have overcome spring moisture, summer drought, windstorms, and hailstorms, and are expecting the third year of bumper harvest in our history with the grain output reaching more than 12.5 billion kg. Foreign trade has increased continuously, and the foreign exchange created by export of local products has risen by approximately 25 percent over last year. Fairly good results have been achieved in education, science, culture, art, press, publication, public health, sports, and family planning, social practice has improved, and the political situation has become more stable and united.

Although we have achieved fairly good results in our work over the past year, we have yet to conscientiously

summarize many experiences and lessons if conducting examination by the standard of the guidelines of the 13th party congress.

As far as the leadership of the provincial party committee is concerned, we lack profound study and sober understanding of the situations of the country and the province.

Our advantages lie in our superior geographical conditions, abundant natural resources, and many large cities, large and medium-sized key enterprises, and basic industries. However, the rural economy of our province is underdeveloped because of the long period of shackles by the influence of "leftist" and ossified ideas, blind pursuit of pure, broader scale, and higher level of ownership, the deep-rooted idea of the product economy, a failure to abandon the pattern in which an enterprise, whether big or small, is a self-contained unit, a failure to completely open the doors of enterprises, cities, and the province, a slow development of lateral economic cooperation, a failure to fully develop our advantages, and a sluggish development of the collective economy, in particular township enterprises. In addition, the development of the individual economy, as an indispensable supplement to the socialist economy, is far from being enough.

The entire party still lacks profound understanding of the basic task in the initial stage of socialism, which is to develop productive forces, and the various departments still fail to carry out their work by focusing on this center, and by taking this center as the criterion for measuring their work.

We also lack adequate understanding of the arduousness and complexity of the endeavor to deepen reform, thorough study of the new situations emerging in reform, and effective work to adopt timely measures and to conduct propaganda and education to counter the excessive price hikes and the short supply of some commodities to the market in order to enhance the people's capacity to carry out reform. Management on a contract or leasing basis has yet to be further improved. As far as the industrial enterprises of the province are concerned, their economic results are not good enough, the quality of some of their products is poor, and they lack competitive edges. Conscientious investigations and study are required to cope with the problems in the second step of the rural reform, and policies should be formulated to guide it.

When examining party building, we still have to fundamentally change the phenomenon in which the party does not handle party affairs, and party committees take on administrative work. We lack persistent efforts in conducting regular education on party spirit, party style, and party discipline, we lack effective work to investigate and handle breaches of law and discipline, and unhealthy trends, bureaucracy, and power abuse for selfish gains are still carried out by some party-member cadres to a serious extent, and factors affecting stability

and unity have yet to be thoroughly eliminated. In implementing the guidelines of the 13th party congress, we must pay attention to these problems, and conscientiously solve them when formulating guiding ideology and performing practical work.

Work Task for 1988

The year 1988 is the year when the whole party and the people of the whole country should deeply implement the guidelines of the 13th CPC Congress and deepen the reform as well as the 3d year to implement the 7th 5-Year Plan. Although we have many favorable conditions in this new year, the tasks for 1988 are extremely arduous and there are many difficulties. Thus, party organizations at various levels and the vast number of party members throughout the province should unite as one and go all out to guide all people of the province to conscientiously study and implement the guidelines of the 13th CPC Congress, to consciously grasp the theory on the initial stage of socialism and the party's basic line, to further enhance their awareness of reform, to foster an idea of the commodity economy, to carry forward the spirit of self-reliance and building an enterprise through arduous efforts, to deepen the reform of the economic structure, to positively and steadily achieve the political structure reform, to accelerate the pace of the development of Liaoning peninsula, to strengthen the party building in the course of reform and opening the country to the outside world, and to strive to realize the target of doubling the GNP 2 years ahead of time. In order to achieve this, we must emphatically grasp the following few tasks.

Deeply study the documents adopted at the 13th CPC Congress and extensively conduct the education on the initial stage of socialism and the party's basic line.

The documents of the 13th CPC Congress are ideological weapons for enhancing the unity and a great banner for guiding the progress of our undertakings. Therefore, conscientiously organizing the vast number of party members, cadres, and the people to comprehensively and systematically study the documents of the 13th CPC Congress and to implement the tasks set forth at the congress is a key task of the party organizations and the political and ideological fronts throughout the province. In the process of study, we should closely proceed from reality to comprehensively and accurately understand the spiritual essence of the documents.

First, we should start from analyzing the actual conditions of our country, our province, and various localities and should profoundly understand that our country is still in the initial stage of socialism. At present, some cadres and people have a confused understanding about the theory on the initial stage of socialism. Some even wrongfully regard the theory on the initial stage of socialism as a theory on "retrogression," "descent," and "discouragement." Some even say: "They have only reached the initial stage with the painstaking work done

ever 30 years or so." If these confused ideas cannot be eliminated, we cannot grasp the spiritual essence of the theory on the initial stage of socialism nor unite the thinking of the whole party and all people of the province with the guidelines of the 13th CPC Congress. In the process of study and education, all localities should organize cadres and people to analyze the actual conditions of the country, the province, and localities to clearly grasp the theoretical basis of the initial stage of socialism. In addition to sharing common characteristics with the whole country, Liaoning Province has its special characteristics. Our province has both advantages and disadvantages and has both potential and shortcomings. Only when we profoundly understand the actual conditions of the country and the province can we deeply understand the initial stage of socialism and can we upgrade our awareness of implementing the party's basic line.

Second, we should firmly foster an idea of regarding the development of productive forces as our basic task and an idea of taking the economic construction as a key link. The report adopted at the 13th CPC Congress has clearly defined that the development of productive forces should be regarded as a starting point for judging all issues as well as the fundamental criterion for examining all work. This is a crucial matter relating to persisting in the historical materialism and rethinking the historical stage of socialism. We should conscientiously sort out various inaccurate understandings about socialism and change the ossified modes of thinking, such as judging truth and falsehood not in line with the standards for productive forces. Through education, we should truly eliminate various confused ideas, persistently conduct reform and open the country to the outside world, develop productive forces, place the economic construction in a key position of the work of the whole party, and ensure that the work of all departments are carried in line with this key link and that the vast number of party members, cadres, and people work with one heart to dedicate themselves to the socialist modernization.

Third, we should grasp the major subject of accelerating and deepening reform to enhance the people's sense of urgency and awareness. Accelerating and deepening reform is the major subject of the 13th National CPC Congress. While conducting the education on the basic line, all localities should proceed from the province's actual conditions for reform, opening up to the outside world, and party building; conscientiously sum up experiences; draw lessons; upgrade the ideological understanding about reform and opening up to the outside world; and enable party members, cadres, and the masses to understand that reform and opening the country to the outside world are the only ways to rejuvenate China, accord with the will of the people and the general trend of events, and cannot be reversed.

Fourth, we should turn the spiritual forces radiated from study and education into real acts for building undertakings through united and arduous efforts. Being united,

relying on our own efforts and working hard to build is an important content of the basic line for the initial stage. We should have party members, cadres, and the people throughout the province understand that attaining the level of a moderately developed country in several decades is an extremely arduous task for China where economic and cultural levels are very low. In order to realize this task, we must be united, rely on our own efforts, develop undertakings through arduous efforts, do our work in a down-to-earth manner, and immerse ourselves in hard work. There is no other way than this.

The profound study of the documents adopted at the 13th CPC Congress and the education on the theory on the initial stage of socialism and the basic line should be linked with the study of the basic theory on Marxism and Comrade Deng Xiaoping's series of expositions on building socialism with Chinese characteristics. All localities, departments, and units should proceed from reality to make good arrangements for the study and education. We should continuously and emphatically grasp the rotational training for leading cadres at or above the county level. During this winter and next spring, the rural areas should make the most of county and township party schools to organize party members and cadres to study the documents. Enterprises and institutions in the urban areas should bring into full play the functions of party schools and political schools run by plants to systematically conduct the education. Universities and colleges should bring the study of the 13th CPC Congress' documents and the basic line into their plans for opening political classes.

We should bring into full play the functions of modernized mass media. Press, radio, television, and publication departments at various levels across the province should closely link the profound study of the documents adopted at the 13th party congress and the education on the basic line with their special professional work, bring their advantages into play, devote themselves to reform, strive for trail-blazing, make efforts to create propaganda means that the people love, combine the accurate and integrated contents of the documents with the colorful forms of study, and bring into full play their roles in educating, inspiring, and encouraging the people. We should further strengthen the construction of the ranks of theoretical workers and arouse the theoretical workers to bring their functions into full play. We should adopt a scientific viewpoint and foster a spirit of doing pioneering work to accurately explain the practical problems cropping up in the course of reform, opening the country to the outside world, and modernization.

Party committees at various levels should consciously strengthen their leadership over the study and place the education on the basic line in an important order of the leadership work. Propaganda departments of the party committees, trade unions, CYL organizations, women federations, and mass organizations should better assume the responsibility for organizing the study and education and bring their functions into full play.

Implement the strategies for economic development and maintain the sustained and steady economic growth rate.

The 13th National CPC Congress has defined three-step economic development strategies from the 1980's to the middle of next century. By the end of next century, China's industrial production and technological level will be near or reach the international advanced levels at that time, its per-capita GNP will reach the level of a moderately developed country, and it will ensure the people a relatively affluent life and will have basically accomplished its modernization.

The present tasks are to unify our thinking, take concerted action, and make the second step resolutely and successfully. When developing the economy of our province, the 10 years during which we take the second step will be a period for a transition from the predominance of extensive management to the predominance of intensive management, from the old managerial pattern to a new frame of systems, and from inadequate opening to opening on every side. Through 10 years of development, we should make our economy grow not only in terms of quantity but also quality. To realize the strategic goals for the second step of development, we should conscientiously resolve the following issues.

1. We should persistently place science, technology, and education in the first place, and rely on science and technology to develop the economy. In developing science and technology, we should give full play to the role of the scientific research institutions, and colleges and universities of our province. We should relax control over scientific research units, open their doors wide, actively promote their lateral cooperation with production units, encourage those whose major work is on technological development and which are provided with favorable conditions to enter large and medium-sized enterprises, or to develop enterprises guided by scientific research, and gradually establish a mechanism in which science and technology link closely with the economy. While exerting great efforts to organize scientific and technical forces to plunge into the major fields of economic construction, we should carry out scientific research of new and high technology, and research of basic theory in line with the unified national plan. We should continue to relax control over scientific and technical personnel, and encourage scientific and technical personnel, and working personnel of party and government organs who are specialized in certain fields to go to the grassroots level to manage enterprises on a contract or leasing basis, to join others in running various kinds of economic entities, or to engage in various forms of concurrent paid service jobs.

We should correctly handle the relationship between education and economic construction, and carry out educational reform and economic reform simultaneously. On the basis of a developed economy, governments should increase investment in education every year, and encourage social forces and individuals to raise funds to

develop schools. We should carry out the 9-year compulsory education according to law in a planned and orderly manner. Large and medium-sized cities should also create favorable conditions for popularizing the education at the senior middle school level to improve the intellectual level of the whole society. We should continue to do a good job in cooperating with the institutions directly under the central authorities, and actively develop local higher education. We should attach importance to vocational and adult education, and the education to popularize science to raise the scientific and technological levels of the people. We should pay attention to discovering, training, and using local talented people. We should do active work to bring talented people who possess knowledge on technology, management, and foreign economic relations and trade from central ministries, commissions, and scientific research departments to Liaoning, and make use of their collective wisdom to build up and expand Liaoning's economy. We should also attach importance to bringing in foreign personnel and sending students abroad, and training senior personnel. We should carry out exchange of personnel with foreign countries. We should further create a social environment in which knowledge and talented people are respected so that Liaoning's economy can leap at an earlier date.

2. We should do a good job in the readjustment of production setup and technical restructuring to upgrade the economy at a quicker pace. In restructuring the economy, we should greatly develop the urban and rural collective economy, individual economy, and the private economy which are based on public ownership, develop the advantages of large and medium-sized enterprises to lead the development of urban collective enterprises and township enterprises, develop the advantages of heavy industry to accelerate the development of light and textile industries, and machinery, electronic, and petrochemical industries, and greatly develop the tertiary industry while expanding the primary and the secondary industries. We should greatly develop intensively processed and precision products, increase their variety, upgrade their quality, and improve their economic results. We should bring under control the industries which consume a great amount of energy, cause serious pollution, and create low additional value, and develop those with good economic results and high additional value. We should readjust production setup and technically transform old enterprises simultaneously.

3. We should persistently take agriculture as the foundation, and strive to improve the rural productive forces. A sustained agricultural growth is the foundation for long-term stable development of the national economy as a whole. We should continue to implement the principle of "never slackening grain production while actively developing diverse undertakings," raise grain per-unit yields with all possible means, and ensure a fairly great growth in grain output. Meanwhile, we should also adopt suitable measures to develop local economic advantages,

and actively expand diverse undertakings to achieve a balanced development of farming, forestry, animal husbandry, sideline production and fishery. We should continue the policy of "developing rural industry to subsidize agriculture," and "developing sideline production to subsidize grain production." We should successfully improve rural ecological environment, control soil erosion, and actively develop mountainous and coastal resources. Effective measures should be adopted to strengthen land management. Production of capital goods for agriculture should be greatly expanded to satisfy the ever growing demands for chemical fertilizer, pesticides, plastic sheets, and farm machinery. We should greatly intensify the scientific and technological research for agriculture, successfully carry out the "spark program," and actively popularize new agricultural scientific and technological achievements to enable agricultural productive forces to develop more rapidly on a new technological basis.

4. We should open up the Liaodong peninsula more quickly to lead the development of east, west, and north Liaoning. We should accelerate our pace of opening up, and never adopt the wait-and-see attitude. In opening up Liaodong peninsula, we should follow the strategic arrangements of developing the peninsula with Dalian as its forward position, Yingkou and Dandong as its two wings, and Shenyang and other cities in central Liaoning as its hinterland, and carry out the arrangements stage by stage in an orderly way. Coastal counties and districts in the Liaodong peninsula should experiment with integrating the urban economy with the rural economy, and establishing an economic structure in which agriculture serves the processing industry and the processing industry serves trade. The various central cities should make the best use of their favorable conditions in opening up to expedite the technical transformation of old enterprises, gradually turn their economies into export-oriented ones, and become the near hinterland of the forward "windows." As the far hinterland of the Liaodong peninsula, east, west, and north Liaoning should be developed in such a way that the development and utilization of natural resources are regarded as the key, latent advantages are turned into commodity advantages through scientific and technological progress, the urban and rural commodity economy is developed in a comprehensive manner, and poverty-stricken areas become prosperous more quickly, so that there will be a powerful backing for the opening up of the Liaodong peninsula. We should also adhere to the principle of "paying attention to two kinds of production simultaneously," and continue to strictly control population growth while actively expanding productive forces.

We should further deepen and accelerate the economic structural reform.

There are numerous tasks for next year's work, but the key is that we should firmly grasp reform as a central link, work out the overall plan with a view on reform, and facilitate the development and work in various

fields. Next year we should exert more efforts to accelerate and deepen reform, push it forward comprehensively while making breakthroughs in major areas, and strive to reap a bumper harvest in many areas of reform.

The urban economic structural reform should still be focused on invigorating large and medium-sized enterprises, which is the key link. We should emphasize "one contract and five reforms." Next year all enterprises should institute the various forms of the contract responsibility system, improve their operational mechanisms, step up efforts to separate ownership from management power, and do a good job in the supporting reforms within enterprises. Small state-owned enterprises should popularize the leasing system on a large scale. Collective enterprises should widely apply the stock-holding system, and small state-owned enterprises may also try out the stock-holding system. We should introduce competition into contracts and lease-holding, guarantee the profits and taxes turned over to the state, guarantee technical transformation, link the total wage bill with the profits and taxes turned over to the state, properly extend the contract term, and avoid and correct any acts that create short-term interests to the neglect of long-term interests. We should improve the contract responsibility system within enterprises. Contracts should not only be signed between enterprises and the state but also be signed at every level within the enterprises, such as workshops, worksites, and staff and workers. We should encourage large and medium-sized enterprises to invest in and buy stocks from one another, establish new, stock-sharing joint enterprises, and enhance enterprises' ability to develop and compete, and increase their economic strength.

In the process of rural reform, we should further perfect the dual-layered operational mechanism, handle the relationship between unified management and decentralized management, improve the socialized service system, and achieve coordinated service. We should vigorously promote lateral cooperation between urban and rural areas, develop town and township enterprises, and promote the integration of urban and rural economies.

Reform must be linked with the campaign of increasing production, practicing economy, increasing revenues, and reducing expenditures; and with the improvement of management and operation. Next year, there will be a strain on energy resources, raw materials, capital, and foreign exchange; and new factors for increasing revenues and reducing expenditures will emerge. Self-reliance, plain living, and hard work are the fundamental ways for overcoming these difficulties. We should continue to deepen the campaign of increasing production, practicing economy, increasing revenues, and reducing expenditures with tapping potential, opposing waste, upgrading quality, and increasing economic results as major contents. While conducting the campaign, we should attach primary importance to upgrading product quality and strive to pioneer new production branches, new products, and new varieties and designs.

We should continue to emancipate our minds and intensify our awareness of reform. We should guide cadres and the masses to deeply study the theory on the initial stage of socialism; to clearly understand the important roles of reform, opening up, and commodity economy in the development of productive forces; and further help some cadres and people stop thinking of feeling at ease with adequate food and clothing or being unwilling to change their impoverished situation, the thinking of being self-satisfied with self-sufficiency and settling down in the countryside to develop small-scale peasant economy, the traditional thinking of unitary planned economy and product economy, and the ossified thinking of the "bigger, higher-level, unitary, and unified" ownership system. We should encourage the people to advocate the spirit of bravely making exploration, blazing new trails, and creating a new situation in reform. Reformers are allowed to make mistakes but no one is allowed not to engage in reform. Attention should be paid to drawing a clear distinction between the mistakes made in the course of reform and the practices of taking advantage of reform to gain selfish ends at the expenses of public interests. Efforts should be made to protect the reformers who make mistakes due to lack of experience. We must have an indomitable spirit to unswervingly push reform forward.

We should positively and steadily carry out the political structure reform.

The political structure reform is a task of extreme importance set forth at Comrade Zhao Ziyang's report to the 13th CPC Congress. Next year, party committees at various levels, particularly, the provincial and city party committees, should place the political structure reform on the important work schedule, and should play an exemplary role in grasping this work.

Since the 3d plenary session of the 11th party central committee, our province has begun to reform some aspects relating to the political structure reform. As far as our province is concerned, the situation of no separation between party and government functions and replacement of the government functions by the party generally exists, power is still over concentrated among local administrative organs of state power, the organizational setup goes beyond the legal system and the limits of functions and powers, the cadre personnel system and the democratic system are not perfected enough, and the construction of the legal system is unsuitable to the development of the situation.

Speaking from a short-term point of view, the priorities and contents of the political structure reform are to set up a leadership system which is conducive to upgrading work efficiency, enhancing vitality, and arousing the enthusiasm of all fronts.

Reforming the party's leadership system and further separating the party and government functions is the key to achieving the political structure reform. With regard

to separating party and government functions, the provincial party committee has an idea to grasp the work in two fields next year. The first field is to grasp the work of the provincial and city party committees. The second is to grasp the work of the grassroots party committees. The provincial and city party committees should take the lead in conducting the work. Counties, districts, towns, and townships will not do it until the provincial and city committees balance their functions.

In separating party affairs from government work, we should first separate the function from each other and later must readjust the existing organs in line with the function of local party committees. As far as our province is concerned, there are some organs which still carry out the functions of both the party and the government and we should readjust and disband them. Departments which are under dual leadership and belong to the governmental function should be put on the direct leadership of the government and those under the party committees, which are in charge of the same work as the governmental departments, should be readjusted or disbanded. Leading party groups under the governmental commissions, offices and departments, and bureaus should be gradually disbanded. The provincial Discipline Inspection Commission should concentrate its efforts on successfully enforcing the party's discipline and cases violating the administrative discipline or the law should be separately dealt with by the supervisory and judicial departments in the government. The discipline inspection groups dispatched by the provincial Discipline Inspection Commission should be gradually disbanded. Party organizations of enterprises and establishments, which are under the direct leadership of party organs in their higher administrative departments should be gradually transferred to the party committees of localities where these enterprises and establishments are located.

In separating party affairs from government work, the party committees also must change their leading style and work methods; straighten out the relationship between the party committee and the People's Congress, the government, the CPPCC Committee, judicial organs, mass organizations, and other social organizations; and clarify the function between the party committee and them. The provincial party committee will be responsible for formulating provisions concerning the pattern and procedure of policy decisions and concerning the standing committee work and livelihood systems.

At the grassroots level, a good job should be done in grasping the development of enterprises. In line with the guidelines adopted at the 13th CPC Congress, efforts should be made to enforce the plant director (manager) responsibility system and straighten out the relationship among the party, administration, and production inside the enterprises. The two keys to straightening out this relationship are as follows: 1. Efforts should be made to realistically change the party's unified leading system and to define plant directors as the representatives of

legal enterprise personnel, who possess a central position and play a central role in their enterprises and are fully responsible for their business. Party organizations in enterprises should realistically guarantee and support their plant director to be fully responsible for their business. 2. Efforts should be made to correctly understand the guarantee and supervision role played by the party organizations of enterprises. Along with the change of their working function, the working units of party organizations in enterprises should conduct appropriate reforms. Efforts should be made to gradually turn the party organizations in enterprises into ones with few specific duty institutions and to uphold the principle of assigning few and outstanding full-time cadres to these institutions. We should by no means seek uniformity in setting up specific duty institutions in the party organizations of enterprises and in assigning full-time cadres to these institutions and carry out the task in this regard in line with the different and practical state of affairs among the large, medium-sized, and small enterprises. It is imperative to maintain the independent systems of the party, trade union, and CYL organizations. We should not merge the work institutions of enterprise party organizations into administrative ones and plant directors in the large and medium-sized enterprises should not hold a concurrent post of party committee secretary. Conducting reforms in enterprise systems is an issue which can affect more social circles and draw more sensitive reactions. The party committees at all levels must enhance their leadership, earnestly summarize their experience, and deal with various problems cropping up in their work in a timely manner to ensure the smooth enforcement of the plant director (manager) responsibility system.

The higher educational institutions and schools which have taken up the pilot work of enforcing the college president (school principal) responsibility system, should continuously deepen their pilot work in 1988 and summarize their experience gained in the work so as to create conditions for enforcing the system in an overall way. Medical and health units as well as scientific research units may enlarge their pilot work of enforcing the institute president (unit director) responsibility system.

The important conditions of promoting or ensuring the smooth progress in conducting reforms are to improve the institutions and to delegate power to grassroots level units. Judging from the current state of affairs and the malpractices which have cropped up in the party and government organs throughout the province, we should uphold the principle of separating party affairs from government work and political work from enterprise management and business operation and of simplifying administrative work and delegating power to grassroots level units in currently setting up new institutions. Meanwhile, we should also follow the state unified arrangement in this regard. In the first half of 1988, the organs of the provincial and city governments should not

have large changes in principle. However, a few departments which have not assumed the task undertaken by their higher relevant departments and whose conditions are ripe should be reformed in a timely manner. Except for those that have been assigned to take up the pilot work, organs at or below the city level may generally conduct reforms following the reforms by those at the provincial level.

At present departments of the provincial government should conscientiously divide their functions, and further delegate powers to lower levels. Meanwhile, they should also further sort out and straighten out administrative companies.

We should reform the cadre and personnel system. The focus of this reform is to eliminate the defects of over-concentration of administrative power. In line with the principle of unifying personnel management with work management, we should delegate cadre management power to lower levels, gradually establish a system under which party and government cadres are categorized and managed at different levels, and create favorable conditions and lay a solid foundation for the implementation of the "state public servant regulations."

We should give play to the role of people's congresses at various levels and their standing committees to enable them to become authoritative local organs of power which truly represent the desires of the people. We should improve the system of multiparty cooperation under the leadership of the communist party, fully perform the function of CPPCC committees at various levels and various democratic parties to exercise democratic supervision over major issues, and gradually make the function become a system to be carried out on a regular basis. We should give full play to the role of mass organizations, such as trade unions, the CYL, and women's federations, in organizing the masses to participate in major state affairs, and to exercise democratic supervision over party and government leading organs and leading cadres.

The most effective method to make the activities of leading organs more public is to carry out social consultations and dialogues. Major situations should be made known to the people, and the people should be allowed to participate in discussions. The voices and demands of the masses should be reported to higher levels smoothly through proper channels. In this way, the masses can have the opportunity to speak out what is on their minds to proper departments, what is going on at higher levels can be made known to lower levels and vice versa, and both higher and lower levels can understand each other, and conduct democratic consultations. We should pay attention not to turn dialogues into meetings of answering questions alone. Instead, we should exchange ideas and solve problems through consultations when holding dialogues and hearing opinions.

In improving the legal system, we should pay attention to the education on popularizing the various basic laws, and the establishment of various supporting local regulations.

We should be resolute and prudent in carrying out the political structural reform. In terms of specific methods, we must stress the practice of seeking truth from facts, proceed from reality, and avoid stirring up a wind or pursuing uniformity. With regard to the reforms of some major areas, in particular, we should carry out experimentation first to gain some experiences, and then extend the reforms gradually. We should never raise a hue and cry.

We should strengthen party building in the new situation of reform and opening up.

The new situation of reform and opening up has provided a new environment for party building, and set forth new tasks and new demands.

In strengthening party building, the basic task is to comprehensively improve the quality of party members. Despite party rectification, at present a certain number of party members in our province are unqualified or basically unqualified. Even those who are basically qualified have certain problems in their quality. This requires us to adopt effective measures to conscientiously improve the quality of party members, in particular the quality of party-member leading cadres. We should always include the party's basic line and the basic knowledge on the party in the education of party members. We should conduct more lively and down-to-earth education of party members to cope with the new problems of party members emerging in the new period. We should pay attention to building the base areas for party member education. While continuously improving the provincial, city, and county (district) party schools, we should also improve the party schools in rural towns and townships, and enterprises and institutions, and conscientiously regularize, systemize, and standardize party member education. We should further improve the system of party member democratic life, the system of party member activities' day, and the system of evaluation of and supervision over party members by party organizations and the masses. We should strengthen management of party members, readjust and improve the party's organizational structure in line with the new situation in party members' participation in production, work, and social activities, and put every party member under the management of the party organization on a regular basis. The improvement of party members' professional work abilities should be listed as a content of the education for party members. Efforts should be made to train and upgrade party members' professional work level and to enable them to politically, ideologically, and practically play an exemplary role for the masses. We should strictly conduct checks in recruiting new party members in order to guarantee the quality of party members. Those who have the requirements for a party

member should be recruited into the party. The construction of the ranks of nonparty activists should be enhanced and strict examinations and checks should be conducted on them. We should pay attention to soliciting opinions from nonparty personages while developing probationary party members from among activists. The performances of probationary party members should conscientiously be examined during their probationary periods. Conditions should not be lowered in order to prevent unqualified Party Members from being recruited into the party.

Strengthening the construction of leading bodies at various levels is an important link to making the party building suit the demands of the situation of reform and opening the country to the outside world. In the process of strengthening and readjusting leading bodies, we should pay attention to reinstalling leading bodies with persons with moral integrity, skills, a sense of responsibility, and knowledge in order to implement and embody the principle of paying attention to real achievements, encouraging competition, choosing the good, and eliminating the bad. Cadres who have stood tests and scored notable achievements in the course of reform and opening the country to the outside world and cadres who have enjoyed the people's confidence should be chosen and recruited to leading bodies. Leading cadres who seriously practice bureaucracy abuse their power for selfish ends, and are incompetent in their jobs, and those whose political results are just the average should resolutely be readjusted from their posts. Efforts should be made to ensure the well-organized setup of leading bodies. WE should perfect democratic centralism within the party and persist in the party's principle of collective leadership. Party organizations at various levels should carry out the method of voting from a larger number of candidates to elect on schedule leading bodies of next-term party organizations. The key to strengthening the construction of grassroots party organizations is to enable them to do a good job in their routine work, such as ideological and political work, the party's organizational activity inspection work, appropriate treatment of unqualified party members, commendation of the advanced, and elimination of unhealthy practices. Particular emphasis should be put on enhancing the party's combat effectiveness. Only by conducting criticism and self-criticism can party organizations enhance their combat effectiveness and build themselves into powerful fighting forces.

With regard to strengthening party building, we should persist in the principle of running the party strictly. With regard to running the party strictly, we should first strictly administer party-member cadres and the party members with powers.

We should comprehensively and accurately understand the principle of running the party strictly. Strict requirements should be set, in line with party rules and laws, on party members. First, party members should strictly enforce party discipline. Depraved persons who cause

damage to the party and the people's undertakings should resolutely be dismissed from the party. Instead of being tolerant and leaving evils unchecked, we should handle, strictly in line with party discipline and state law, the party members who evade taxes, smuggle, give and accept bribes, violate laws, practice blackmail, engage in graft and embezzlement, let out state secrets and economic information, seriously violate discipline of foreign affairs, appoint people by favoritism, retaliate against others, and practice immoral activities. Over the past few years, party organizations at all levels have done much work and have scored achievements in enforcing party discipline. However, the phenomenon of giving overlenient treatment to some people still exist. Thus, while investigating and handling undisciplined party members, we should resolutely investigate and handle those who have connections with or shield them. Second, high standards and strict requirements should be set on the vast number of party members. That is, party members should always act and be educated and managed according to the requirements of qualified party members. At present, we must correct such a phenomenon in which some party organizations have lowered their requirements for party members or some have relaxed their restriction of party members. Through setting high and strict requirements for party members, we should strive to develop most of the basically unqualified party members into qualified ones on the one hand, and should persuade the party members, who fail to fulfill their duties stipulated in the party Constitution and refuse to mend their ways in spite of education, to withdraw from the party or have their names struck from the party roster on the other.

We should continue to improve party style if we are to run the party strictly. Party style remains to be one of the problems which the masses discuss widely and are dissatisfied with. Therefore, to strictly run the party, we should continue to oppose power abuse for selfish gains, bureaucracy, and the various corrupt phenomena mentioned in the report to the 13th party congress, and regard this as an important part of our endeavor to improve party style.

In strengthening party building, we should study ways to shovel out the hotbed of unhealthy trends so as to solve problems once and for all. With regard to the party's leading cadres, we should establish and perfect the supervisory system in and outside the party, and the system of electing from a larger number of candidates so as to restrict and stop the unhealthy trends of some leading cadres. With regard to the leadership system, we should separate the party from the government, and enable them to perform their respective duties and responsibilities so as to prevent the emergence of bureaucracy. With regard to the selection and promotion of cadres, we should establish and perfect the systems to recruit cadres through examination, advertisement or election, and the systems to examine and appraise cadres so as to check the unhealthy trends in selecting and promoting cadres. With regard to the housing system, we

should accelerate reform to commercialize housing to eliminate the unhealthy trends in housing construction and distribution. With regard to the recruitment of workers, we should institute a strict examination system. With regard to changing agricultural population into nonagricultural population, and changing rural residence registration into urban residence registration, we should institute the system of public and democratic appraisal. These reforms and systems play an important role in eliminating the hotbed of unhealthy trends. Party organizations in various localities should investigate and study these issues, and adopt realistic measures.

Comrades! The year 1988 is just around the corner. The tasks for the various fronts of our province are very heavy and arduous in the new year. This requires our party committees at various levels to strengthen leadership, adopt realistic steps and measures, successfully carry out investigations and study of our numerous work, work out plans for it, and to exert efforts to organize and give guidance to it meticulously. We should unify the thinking of the masses of party members, cadres, and people in line with the guidelines of the 13th party congress, carry out arduous struggles in high spirit, fulfill the various tasks for 1988 more successfully, and usher in the 40th anniversary of the liberation of Liaoning with outstanding achievements in construction and reform.